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Executive Intelligence Review

March 30, 1982

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EIR

From the Managing Editor

Before Abscam victim Senator Harrison Williams of New Jersey resigned on March 11, the U.S. Senate pledged to put Justice Department and FBI wrongdoing in the Abscam operation under an investigative microscope. It had taken a national campaign of constituency pressure to bring that commitment about; and it will take more pressure to make sure a Warren Commission or Watergate-style coverup does not now ensue. Therefore, we are making an unusual request of *EIR*'s American readers: Let your Congressman and Senator know—by letters that will be carefully read in this election year—that you expect a full, no-holds-barred inquiry in this matter.

This week *EIR* reports the collapse in world trade that is becoming both the cause and effect of the deepening depression. To turn that process around, the United States will need all three constitutional branches of government. The President must be able to stand up to the arrogance of the usurping "fourth branch," the Federal Reserve. And we will need an independent, unblackmailed Congress to work with him in shaping a recovery program along the lines *EIR* founder Lyndon LaRouche has laid out—low-interest credit for productive industry and agriculture, large-scale nuclear power development, national infrastructure projects (especially waterways), and a new gold-reserve monetary system.

Let your elected representative know you expect him to act on both the economic and constitutional issues. It was Senator John Melcher, in a speech to the Senate March 10 which every national news service except this one blacked out, who made the connection succinctly. Melcher began his call (see page 25) for a full probe of Abscam wrongdoing: "I firmly believe that there is a desperate need for the Senate to be addressing the problems of the economy."

Susan Johnson

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Correction: Due to a production error in our March 23 issue, titles on two maps were reversed in the Special Report article headlined "Siberian Development: The Fulcrum of U.S.S.R. Economic Growth." The first map should have been labeled "The Three Siberian Development Zones," the second, "West Siberian Natural Gas Pipelines." And, on page 27 of that Special Report, the reference to Table 3 should have read "Table 2."

World trade sinking back to the 1930s

by Richard Freeman

Images of the 1930s were revived in mid-March, when reports appeared that world import levels measured in current dollars contracted 5 percent in 1981 compared to 1980, the first fall in world imports since 1958. The fall-off in import levels from \$1,925 billion to \$1,821 billion promises to worsen, as the major motor of world trade—the import and export capacity of the Western industrial nations—continues to weaken under an industrial contraction engendered by the relentless assault of the high interest rates of Federal Reserve Board Chairman Paul Volcker. Contributing to this process, too, is the “conditionality” policy of the International Monetary Fund, which penalizes Third World nations unable to keep current with their debt payment schedules by requiring them to cut back on imports.

It should be remembered that in the 1930s, after the first shock of stock market failures in 1929, it was the fragmentation of international trade that took the world from monetary disaster into full-fledged depression. At that time, under protectionist measures, led by the U.S. Smoot-Hawley tariff of 1930, each nation erected trade barriers and tariffs that prevented other nations' exports from crossing its borders. As nations retaliated with higher and higher tariff levels, world trade fractured into a thousand pieces, and the world plunged deeper into

depression. Today, Paul Volcker's high interest rates are already beginning to destroy international trade as Smoot-Hawley did in the 1930s, with Africa, for example, now being “decoupled” from the world and left to starve.

If the world trade collapse continues to gain momentum at its present rate, the Third World will find itself defaulting on its debts, and bankers will begin hastily calling in their international loans. Less Developed Countries (LDCs) owe \$550 billion in debt, including \$60 billion to \$100 billion coming due this year. A cutback in international lending was recommended March 6 by Emile Van Lennep, the secretary-general of the Organization for Economic Cooperation and Development (OECD) in Paris. The combination of debt and the call-in of loans is precisely the chemistry that leads to a chain-reaction of bank failures that could bring down the entire global banking system.

Trade collapse

The most striking feature about the world trade contraction is that it occurred after several years of hefty current-dollar trade expansions. As the chart shows, from 1976 to 1980, world trade doubled. Nations and banks built their borrowing policy on the expectation of higher trade volumes the next year. In 1980,

world imports expanded 26 percent, leading to a large borrowing spurt. When the 5 percent import contraction occurred in 1981, the Third World in particular was left with hefty interest payments, but sharply decreasing revenues to pay that interest.

In real, constant dollars, world imports also fell in 1981, by 2.9 percent. This was the second year in a row that constant dollar imports fell, marking the first time that world trade has fallen in back-to-back years since the end of World War II. It should be noted that the physical volume of trade fell less sharply than the non-inflation-adjusted volume of trade. That is because globally—although not in the United States or Western Europe—there was a price deflation. A Third World nation might ship an only slightly smaller quantity of goods than the year before, but earn considerably less in current dollars, because the price of the goods has fallen.

The world trade contraction hit the Third World much harder than the advanced sector for two reasons. First, the advanced sector had more accumulated infrastructure to fall back on; second, most of the cuts in imports occurred in the advanced sector and they were of Third World goods—thus the Third World lost export earnings. West Germany cut its imports by 13 percent for 1981; part of this cut was due to lower levels of importation of oil, but also lower import levels of other commodities also occurred. In the first nine months of 1981, France cut its imports by 12 percent, and hard-pressed Belgium cut its imports by 14 percent.

The fall of world imports would have been far worse were it not for the fact that the two largest economies in the world, Japan and the United States, maintained their import levels in 1981, although for different reasons.

Japan kept up its import level because its export levels continued strong. But even the resourceful Japanese could not prevent the level of their exports, many

of them high-technology goods, from slowing down in the second half of 1981 and from turning to a negative level in February 1982—the first Japanese export contraction since 1975. If Japan's exports go, Japan will be forced to slash imports.

As for the United States, which imports 40 percent of all Third World goods, its imports actually rose in 1981. There is no mystery here. An overvalued dollar, artificially inflated through high interest rates, made foreign goods cheap. Through its strong dollar, America tapped the higher productivity levels of goods-producing economies around the world.

By the summer, the United States will be running an ever-widening current account deficit, as exports fall because they are overpriced in dollar terms, and certain invisible earnings, such as oil company repatriation of profits, will fall because of the fall in the price of oil. The dollar will go into free fall, and U.S. imports will be cut massively.

The bitter irony of the fall in world imports, especially in the advanced sector, is that it forced the Third World to slash exports and cut export prices in order to find markets in the industrial west. Third World raw materials prices fell by 15 to 25 percent; the Third World looted itself by charging prices below the costs of production just to sell its goods to the industrial sector.

Nowhere is this fact more apparent than in trade relations between Africa and the United States. In 1980, the U.S.A. imported \$34 billion worth of goods from Africa; in 1981 U.S. imports fell to \$27 billion, a fall of 20 percent. Not only did the U.S. cut back on its oil consumption from Nigeria, Algeria and Libya; African copper, cocoa, rare metals, lead, and other raw materials were shipped to the United States at a fraction of their cost. Instead of the United States subsidizing Africa, as it so frequently claims, the world trade collapse forced Africa to subsidize the United States.

World trade: current and constant dollars

Year	Total world imports (billion current dollars)	Percent change	Unit import		Unit world imports (billion 1975 dollars)	Percent change
			prices (1975=100)	Percent change		
1976	926.4	13.4	101.2	1.2	915.3	12.0
1977	1,067.6	15.2	110.1	8.8	969.3	5.9
1978	1,240.6	16.2	121.2	10.1	1,023.5	5.6
1979	1,563.4	26.0	144.2	19.0	1,084.2	5.9
1980	1,920.8	22.9	177.9	23.4	1,079.6	-0.4
1981*	1,824.8	-5.0	174.0	-2.2	1,048.7	-2.9

*Estimate by ACLI International, New York
Sources: International Monetary Fund, ACLI International

The British and Venetian oligarchs standing behind Volcker and the IMF realize that their world banking system is very close to collapse and are planning to salvage the situation by decoupling the Third World from the world economy. This is an idea first introduced by the New York Council on Foreign Relations in its 26-volume "Project 1980s" program; developing countries are to be shut out of world trade, made unable to obtain the high-technology capital goods they require to industrialize. Decoupling is willful, conscious genocide.

Decoupling

Joseph Nye, who headed up the Project 1980s report on the Third World, boasted March 15, "There is no question that decoupling is taking place. Africa is being hived off from the world banking system. They will be forced to do without banking from the private sector altogether." Nye elaborated, "Some countries like Tanzania will limp along. Others are being forced onto self-subsistence agriculture and are dropping out of the market economy for good."

As Nye knows, once a nation cannot get private bank funding, it must go to the International Monetary Fund and its austerity-enforcing loan "conditionalities" policy. In 1977, only two out of all African nations were going to the IMF for funds. Today, that number has reached 21.

What is happening to Africa as a result of the export collapse is a lesson for the rest of the world:

- Zaire—according to an AID official of the U.S. State Department March 16, Zaire, which has \$5.5 billion in total debt, has just been cut off from even an IMF loan. In 1982, Zaire must pay \$650 million in interest payments; thanks to collapsed copper and cobalt prices, Zaire is earning only \$35 million a month from exports. If Zaire were to put all its export earnings toward debt repayment, and buy nothing, it still could pay off only two-thirds of the debt it owes.

- Tanzania—a nation with over \$1.3 billion in debt. Each worker in Tanzania earns only enough money each week to pay for half of the amount of corn that his family needs to survive. Tanzania has had 18 million people reduced to self-subsistence farming.

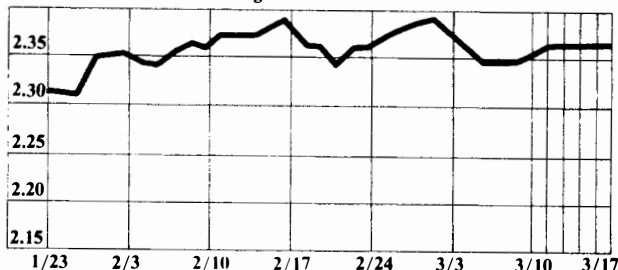
- Nigeria—once the showcase country of Africa. Now because of the fall in world oil prices, Nigeria will have to borrow on the world market. Wall Street bank officials are saying that Nigeria must give up its ambitious development plans.

What is occurring in Africa, will soon spread to the rest of the Third World. An official for the General Agreement on Tariffs and Trade reported March 16, "Last year, the Third World was most hurt by the fall-off in trade. We have done a study that shows that this year the advanced sector will be hurt."

Currency Rates

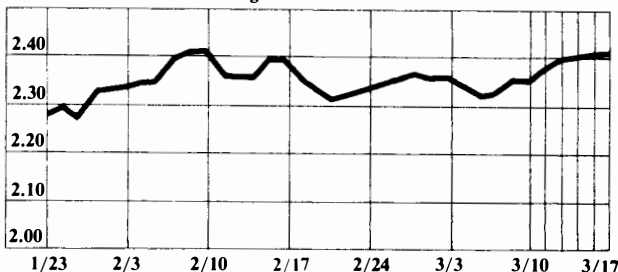
The dollar in deutschmarks

New York late afternoon fixing



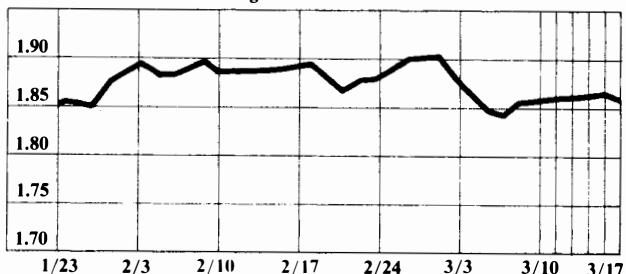
The dollar in yen

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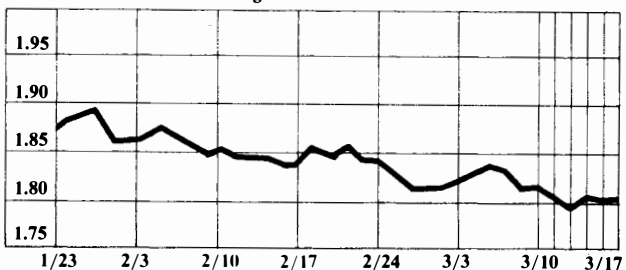
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Behind the U.S. oil import tax proposal

by Leif Johnson

What single measure—now being promoted by the U.S. press, Office of Management and Budget Director David Stockman, and a group of ultra-liberal Congressmen—could seal the United States into permanent depression, wreck the Reagan Presidency, and starve the most populous oil-producing countries into population-reduction policies?

A \$10 tax on each barrel of imported oil could accomplish just that.

Ten dollars added to each imported barrel would set all oil prices, including domestic, at \$40 a barrel. Natural gas and coal prices would also rise to “competitive” levels, and the U.S. economy would suffer a net drain of between \$60 billion and \$80 billion the first year.

Consider the effect of taking about \$50 billion out of consumers’ pockets on the U.S. auto, housing, and other consumer-goods industries. The tax would have a more ruinous effect on today’s depressed American economy than either the 1973 or 1979 oil shocks. Coupled with Federal Reserve policy of pushing up interest rates, the oil import tax could put the economy into a “post-industrial age” for good.

Federal Reserve Board Governor Henry Wallich told the Overseas Press Club in mid-March that he not only favored maintaining high interest rates “to fight inflation,” but also backed the oil import tax. Of course, the import tax would boost the consumer price index by a full percentage point the moment it was imposed, not counting the further inflationary impact of increased natural gas and coal prices. But inflation fighting is the last thing on the minds of the tax’s backers.

According to one: “If we could lower international oil prices 15 percent, we would force OPEC countries to face up to their real problems, and for the populated OPEC nations, their number-one problem is population. It would have to be reduced.”

Reagan is at stake

The oil taxers feel that the proposal is the perfect weapon against the Reagan administration. If Reagan enacts the tax under powers contained in the 1982 Trade Expansion Act, then he destroys all chance of economic recovery he and his advisers had promised, and goes down as having passed the largest excise tax in history.

If Reagan refuses, Congress, already blaming him for creating an unsustainable budget deficit, could block the budget by refusing to allow the debt ceiling to be raised, creating a budget crisis by early summer.

The President is under heavy pressure from an oil tax clique within the White House. Council of Economic Advisers head Murray Weidenbaum, Office of Management and Budget Director David Stockman, and Transportation Secretary Drew Lewis attempted to force the President’s agreement to the tax during the December White House budget discussions and continue to raise an unholy din on the subject.

The clique in Congress is headed by Socialist International Democrats including Senators Gary Hart (Col.), William Bradley (N.J.), and Representatives John Dingell (Mich.) and Philip Sharp (Ind.). An aide to Bradley explained that last summer Bradley and Sen. Charles Percy (R-Ill.), who chairs the Foreign Relations Committee, had introduced oil import tax legislation that died unnoticed. “Now we can impose the tax because international prices are coming down and the public won’t notice the price increase as much. But we are not going to introduce legislation. We want Reagan to enact it.”

Who are the oil taxers? They are the Socialist International-linked Democrats who formerly occupied top positions in the Carter administration.

One muscleman is Al Alm, Undersecretary of Energy for Policy Planning under James Schlesinger. He has already gotten support from the oil cartel, which not only sees the advantages of a \$40 barrel of oil, but holds vast domestic natural gas and coal lands as well.

The chief international strategist is Carter’s Undersecretary of State for Economic Affairs, Richard Cooper, and “economic credibility” comes from William Nordhaus, Chairman of Carter’s Council of Economic Advisers.

Nordhaus is said to be working with the International Association of Energy Economists whose former head, Jim Plummer of the Electric Power Research Institute (EPRI), is preparing a major report advocating the tax. EPRI, the think tank of the electric utility companies, is controlled by the Aspen Institute headed by Robert O. Anderson, former chairman of Atlantic Richfield, the oil giant.

Another leading strategist is David G. Snow, the top energy analyst of Warburg Paribas Becker-A.G. Becker, who is also a member of the Israeli-intelligence-linked Wall Street Nuclear Club. His contribution, “The Oil Import Tariff: A Painless Way to Balance the Budget” claims that decreasing the OPEC surpluses is the only way to prevent the Arabs from buying out the United States. There is a double irony in this argument, since Warburg Paribas Becker is a leading broker for Arab buy-ups in the United States.

Socialists plan takeover of world finance

The newly formed Institute for International Economics is a front for the Socialist International.

A group of top leaders of the Socialist International, the Social Democrats, and Democrats who support zero economic and population growth, met in secret in mid-March to plan new policy initiatives which they say will allow them to "take over" the world financial system.

The unusual part of this Socialist International meet was that it took place at the boardroom of the elite Lehman Brothers, Kuhn, Loeb investment bank at 55 Water Street in lower Manhattan, led by Lehman Brothers Chairman Peter Peterson.

The occasion was the first Board of Directors meeting of the Institute for International Economics (IIE), a new center set up by the German Marshall Fund with a \$4 million grant last November. The purpose of the IIE and of the meeting, one participant told a journalist, was "not just to talk about policy, but to bring it into effect. We are a channel for deliberating, making, and carrying out economic policy."

Governments, said the source who is close to the German Marshall Fund, will be forced to do as the IIE says, "when we put forward our proposals in time of crisis. We will make sure they get into the implementation stage," he added.

The men who met to dictate terms to the world's governments included Peter Peterson, who is also the U.S. Chairman of the Brandt

Commission, the Socialist International's lobbying group for negative economic and population growth in the Third World; W. Michael Blumenthal, Jimmy Carter's Treasury Secretary and leader of the Council on Foreign Relations 1980s Project for "controlled disintegration" of the world economy; Karl-Otto Poehl, the Socialist head of the West German central bank; Lane Kirkland, head of the AFL-CIO and leader of the Socialist International; Andrew Young, former Carter U.N. Ambassador and Brandt Commission associate; Donald McHenry, head of the Agency for International Development under Carter; and Anthony Solomon, liberal President of the New York Federal Reserve Bank.

Also present were "right-wingers" who are in fact leading supporters of the Socialist International. These included Raymond Barre, former Prime Minister of France; Alan Greenspan, former Nixon Council of Economic Advisers chief and current White House adviser; George P. Shultz, Chairman of President Reagan's Economic Advisory Board; and Dennis Weatherstone, Chairman of the Executive Committee of the Morgan Guaranty Bank.

The IIE and the German Marshall Fund are interested in using what they say is a coming "crisis" in the world economy to promote their aims. "I wouldn't want to characterize the world situation as

the 1930s, but we expect to see the same economic collapse going on now, extended into the future," the source said.

The policies they plan are identical to those put forward by the Brandt Commission's 1980 report, "A Blueprint for World Survival," which was written to carry out the Carter administration's *Global 2000 Report*.

The three-point agenda would mean the death of more than 2 billion people:

1) A new reform of the International Monetary Fund to make more LDCs dependent on the IMF by "softening" its harsh conditionalities and granting LDCs more members on the IMF board. Immediately, commercial banks will slash their loans and force LDCs to adhere to IMF demands or starve.

2) A new international monetary/foreign exchange system of "multiple currencies," replacing the U.S. dollar system. As high U.S. interest rates cause European currencies to collapse, the IIE intends to use the crisis to "make a proposal in a timely manner" for nations to move off the dollar standard, which will greatly restrict world trade and reduce dollar credits to LDCs in particular. Rudiger Dornbusch, an IIE Advisory Board member, has already written a plan for Europe to impose capital controls against the dollar in the form of an "Interest Equalization Tax" against European investment in dollars and in the U.S. itself.

3) A new world trading system which would restructure world industry, telling each country what it can produce and where it can export. This would shrink world industry and destroy capital goods exports to the LDCs.

A good investment at \$300

Gold may fall still further, but those who have the time and money should buy rather than sell.

When gold reached the three-year low of \$310 in Hong Kong March 17, many in the markets began to panic in anticipation of a repetition of the events of 1976, when the price fell sharply to the \$100 level. I would not do so.

According to my colleagues in Frankfurt and Zürich, the price of gold is falling in the short term for the same sorts of reasons which will soon make it attractive again. In fact, as I have reported many times, most of the gold goes to those same old European families who are planning to corner the market when smaller investors around the world are totally shaken out.

And the small investors are certainly very close to being fully shaken out.

First, I would like to dispel once again the nonsensical rumor, begun by Consolidated Goldfields last fall, that "Soviet dumping" is behind the fall in the gold price.

During the week of March 15, one of our readers wrote to inform me that Consolidated Goldfields representatives are touring the United States repeating this falsehood. One American mining executive told us that a Cons Gold executive, after insisting that the "Russians are dumping gold on the world market," tried to frighten him with the "confidence" that the South African producers are so desperate that they plan to shut their mines at the \$320 an ounce level.

In spite of the best efforts of

Consolidated Goldfields, I have documented repeatedly over the last months the fact that the Soviets have sold no more than their usual volume during the past year, at least on the open market. They continue to sell at levels of some 200 to 250 metric tons per year.

No chimeras of the "internal disintegration of the Soviet Empire," so popular at the International Institute of Strategic Studies in London, should make people imagine that the Soviets are either in a terminal bankruptcy, which they are not, or desperate for cash due to the crisis in Poland, which they are not. In point of fact, West German, French, and other credits continue to flow eastward, and the partisans of stability in Poland and the U.S.S.R. have won a considerable victory.

What extra cash the Soviets need is indeed being raised through gold mobilization—but not open-market sales. The Soviets have been swapping large amounts of gold with the South African, Swiss, West German, and perhaps the Brazilian central banks, in large part keeping it off the market.

In fact, Mr. Timothy Green, the renowned gold analyst for Consolidated Goldfields, was forced on March 16 to admit, after our analysis grew current, that there is after all "no Soviet dumping." Without explanation, Mr. Green told H. J. Maidenberg of the *New York Times* that he now believes "Soviet gold

sales were estimated at [only] 250 tons in 1981, about normal. Soviet sales are not the main reason for the price drop."

Mr. Green admitted what we have long reported, and what was confirmed to me March 17 by the head of one of Germany's largest gold trading rooms. The millions of small gold buyers in the less-developed nations are being "totally shaken out of the market," this banker said, by high U.S. interest rates and the world economic depression.

"Money is pouring out of gold in the Third World, where people can no longer hold their gold, the major form of savings," he continued. "In Iran, we are seeing desperation sales. The same situation holds in South Asia and throughout the Middle East." Especially hard hit by the fall is OPEC revenues are the "poorer OPEC countries," he said.

Indeed, Mr. Green himself noted in the *New York Times* that sales of gold are coming from "Egyptian shopkeepers and millions of other savers in the Middle East, India, Indonesia, and poorer countries worldwide;" a direct plagiarism of my earlier analyses.

Who benefits? The "oldest European money is snapping up most of the gold sales," my European banking source confided.

While I do not expect a sharp rise in the gold price, I would say that a downward spike from the current level, while possible, would be temporary, and that those in the know are counting on \$300 as a strategic floor. If one has the capital and liquidity to hold gold for some months, in the face of perhaps further temporary setbacks, then \$300 is a good price.

The 'user fee' caper, Part I

Congress has been stalling on what it only dimly recognizes as an attack on the American System.

When anarchist ideology is elevated to the principle of practice for the world's greatest economy, one can be sure that disastrous consequences are in store. A case in point is the Reagan administration's campaign to terminate federal coordination, planning and funding of economic infrastructure—the program of “internal improvements” our founding fathers made a cornerstone of the American System of Economics.

One year ago the Reagan administration asked the Chairman of the Senate Public Works Committee's Subcommittee on Water Resources, Senator Abner (R-S.D.), to do something no Senator would do on his own—introduce S-809 and S-810. The bills mandate the recovery of 100 percent of costs for operation, maintenance and construction on the nation's deep-draft channels and ports (S-809), and its inland waterways (S-810), through a system of “user fees.”

Hearings were held on the proposals, viewed by lawmakers at the time as a “radical departure” from even the existing program of fuel-tax user fees. The 1978 Inland Waterways Revenue Act, PL 95-502, had established a precedent-setting fuel tax on commercial barge operations, starting at four cents per gallon in October 1980 and rising to ten cents per gallon in fiscal 1986. But Congress realized it was a drastic step, and therefore also mandated in PL 95-502 that a

comprehensive study be done on the effect of the fees on the transportation system as a whole.

In April Senator Lloyd Bentsen (D-Tex.) and a group of Senators issued a “Dear Colleague” letter recommending that “judgment be withheld” on S-809 and S-810 until more information on their potential impact is available. A bipartisan report of the House Public Works and Transportation Committee recommended that no action be taken before completion of the Inland Waterway User Charge Tax Study required by PL 95-502. And the entire Tennessee delegation, including Majority Leader Howard Baker, urged postponing consideration of the administration bills until the U.S. Army Corps of Engineers undertake a “detailed and complete” study.

Last October, the liberal Senator Moynihan (D-N.Y.), moved to bail out the free-marketeers. Moynihan is ranking minority member of the Subcommittee on Water Resources. Together with Subcommittee Chairman Abner he introduced S-1692, an “alternative” to S-809 that mandates 25 percent cost recovery on maintenance of harbors and channels authorized by Congress prior to January 1, 1981, and 50 percent cost recovery on maintenance and operation of channels and ports developed after.

The principal selling point for this proposal is that since it shifts new project construction funding

to the “marketplace,” harbor development will be “expedited”! Committee sources do not know when to expect floor action.

In the House, Public Works Subcommittee on Water Resources Chairman Robert Roe (D-N.J.) stated during hearings this month that the issue is being looked at too narrowly, and insists that there will be no legislation in the House this year. In February the Subcommittee on Water Resources began yet another round of hearings on the user fee.

The hearings provided a forum for Transportation Secretary Lewis to unveil the Waterway User Charge Study. The study shows that imposition of the user-fee system will inflict permanent damage on the barge industry and on grain shippers—effects which Lewis, cheer-led by the Brookings Institution's creator at the OMB, Alice Rivlin, insists are “not nearly great enough to turn us from a policy of full cost recovery.”

The barest of facts about the nation's waterway system show what is immediately at stake. Barges are the most efficient means of transport, at more than five hundred ton-miles per gallon of fuel compared to 200 for rail and 50 for truck. They carry more than 40 percent of the nation's export grain to port, and haul fertilizer, petroleum and other raw materials back upstream into the country's industrial heartland. Compared to an historic federal “subsidy” of \$50 billion to the country's privately owned railroads, the total federal investment in the waterways since 1824 is just \$7.4 billion.

Next week: a closer look at the Waterway User Charge Study.

Another notch in Volcker's belt

Namely, the Tennessee Valley Authority's retreat on construction of eight nuclear-power units.

A decision taken this month by two of the three commissioners responsible for the government-owned Tennessee Valley Authority (TVA) is calculated stupidity. S. David Freeman and Richard Freeman were reportedly jubilant after their decision to indefinitely defer completion of three large nuclear generating units.

The units, Hartsville A1 and A2 near Nashville, and Yellow Creek 1 in northeast Mississippi, have already provided more than \$2.1 billion in skilled employment contracts for the region. Immediately, some 4,000 to 5,000 skilled construction workers and hundreds of engineers will join Paul Volcker's unemployment rolls.

Industry sources report that an additional five nuclear units of the nation's largest power utility will get the axe before Sept. 30 of this year. Hartsville B1 and B2, Phipps Bend 1 and 2, and Yellow Creek 2, are currently on hold. This would mean that since S. David Freeman, Jimmy Carter's energy architect, came to the TVA from the Ford Foundation in 1977, the utility's nuclear program will have been slashed from 17 to only 9 plants by 1990.

The TVA case is serious. It is one of the only remaining areas of the economy immune from Volcker's interest rates because of special access to credit through the little-publicized Federal Financing Bank. The six-state utility, which

helped pull much of the southeast out of the last depression, is thus able to build nuclear capacity at far lower costs than most utilities. To defer or cancel one single nuclear plant in the current economic depression is therefore tantamount to insanity.

As I have emphasized in this column, every penny spent in infrastructure investment like nuclear plants or large-scale water projects is a net gain for the overall economy regardless of its costs on paper. To boot, the TVA has a preferential interest-rate situation to build its nuclear plants. For President Reagan to urge the TVA to order 15 or 20 more nuclear plants would be the best way to revive the economy.

But David Freeman, a fanatical solar-power advocate who is unqualified for his position on that count alone, has been devoted to destroying the TVA's nuclear-plant concentration for years. Freeman changed his public stripes to "pro-nuclear" to persuade the Reagan administration to keep him on. But his latest decision makes clear his role in the chicken coop.

David Freeman drafted the deliberately destructive Carter National Energy Policy for James Schlesinger, and wrote the zero-growth Ford Foundation energy study, *The Time to Choose*; it was adopted in 1975 by Swedish Socialist Olof Palme as his energy policy. The Swedish economy has yet to recover from aspects of that policy.

Freeman's TVA predecessor, Aubrey Wagner, committed the TVA to nuclear power in 1975 after the price of OPEC oil increased 400 percent. The Wagner program, together with the region's Clinch River Breeder Reactor project near Oak Ridge, remains the most important concentration of nuclear power in the world today. Such concentrations cannot be lightly thrown away.

Following the latest TVA board vote chucking three reactors, Freeman exulted: "I feel better about the TVA power system today than I have felt any day since I have been here."

Meanwhile, the Nuclear Regulatory Commission has continued its sabotage of nuclear power in two ways. A report, commissioned by Carter holdover John Ahearne and based on "conjecture, newspaper articles, conversations with financial houses, and hearsay," has been issued to "predict" that another 19 nuclear plants under construction throughout the nation could be cancelled or postponed. One utility has already denied any such plan; the NRC did not even ask the utilities themselves. But such reports aim to be self-fulfilling by panicking utility investors.

Mr. Ahearne also joined his two anti-nuclear NRC colleagues to veto a government request for expedited construction approval for the Clinch River breeder, the nation's only serious prospect for development of second-generation nuclear reactors.

The TV and NRC actions aren't just a matter of local concern. The fight for the future of the TVA nuclear program will help determine whether we will leave any advanced industrial capacity to our posterity.

Real U.S. unemployment index

EIR publishes this week an historical index of unemployment in the United States since World War II, which will be updated monthly. Our purpose is the rebuilding of the American labor force, once the finest labor force in the world.

The gross figure for unemployment in February 1982 was 22.2 percent of the entire labor force. This figure measures, most dramatically, the progressive erosion and waste of the workforce since World War II, when total unemployment was only 3.9 percent.

To anyone who considers the

problem, it is obvious that unemployment is considerably larger than the 8 to 9 percent claimed by the Bureau of Labor Statistics of the Department of Labor. Consider the throngs of jobless youth who hang out on street corners, the army of prostitutes, gamblers, dope pushers, pornographers, and participants in organized crime that operate in our largest cities, plus the hundreds of thousands of cult members or youthful drug-culture floaters.

Unemployment index

Consider also the 1.6 million

workers who have retired before age 65 and withdrawn their lifetime of skills from the economy, the thousands of unemployed who have turned to small businesses to eke out a living, or the 2.6 million students—15 percent of the student population—who have become students rather than stand on street corners, unemployed.

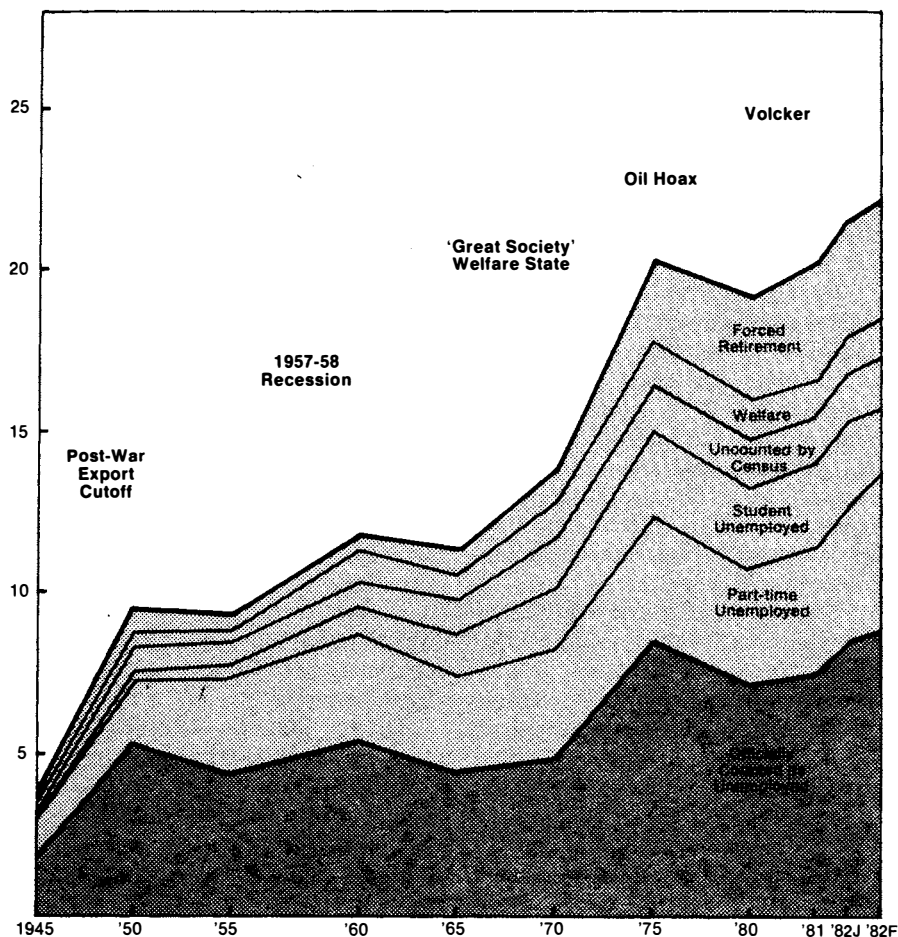
Remarkably, the BLS does not count part-time workers who cannot find full-time work as unemployed, and makes no attempt to find the millions who were not found by the census takers.

The above index is computed by adding the following categories:

- A) The officially counted unemployed;
- B) Fifty percent of the involuntary part-time employed and 15 percent of the voluntary part-times;
- C) Fifteen percent of full-time students and 5 percent of those enrolled in vocational education;
- D) Fifty percent of the employables among the estimated 6.9 million people not counted by the 1980 Census;
- E) Two-thirds of the employables associated with welfare families;
- F) All those who leave the workforce early, but are not disabled.

Sources: Official unemployment is that reported by the Bureau of Labor Statistics, U.S. Department of Labor. Part-time unemployment, both voluntary and involuntary, is reported by the BLS back to 1960 with BLS estimates for 1950 and 1955. Student enrollments in higher education and federally assisted vocational training are compiled by the U.S. National Center for Education Statistics. The census undercount estimate is based on a 1972 federal review of the 1970 Census count that found an undercount of 2.7 percent. The number of welfare recipients is compiled by the U.S. Department of Health and Human Services.

Real Unemployment, 1945-82
(in percent)



Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$850 mn.	New Zealand from Holland/Japan	Refinery modernization and expansion to 3.7 mn. tpy crude capacity being carried out by Badger and Chiyoda with technical advice from Shell.	
\$800 mn.	Saudi Arabia from Japan	Mitsubishi has won contract for 1,000 megawatt thermal electricity plant for Jeddah. Contract includes boilers, four 250-MW generators, transformer states and related equipment.	
\$400 mn.	Bahrain from Italy/West Germany/U.K.	Gulf Petrochemical Industries, owned by Bahrain, Kuwait, and Saudi Arabia, has ordered a plant to turn its abundant natural gas into 1,000 tpd each of ammonia and methanol.	Snamprogetti is supervising the plant, which will use Uhde and ICI technology.
\$15 mn.	Venezuela from Spain	CAVIM, owned by the Venezuelan military, has ordered 11,000 tpy concentrated nitric acid plant from Técnicas Reunidas.	Used Espinosa process; turnkey basis.
\$50 mn.	Peru from U.K.	Peru has contracted Balfour Beatty Engineering to handle everything from site selection to installation of a large number of small hydroelectric generators. The 50 megawatt units will provide light to an estimated 900,000 rural Peruvians, most of whom presently lack light, treated water, and food.	U.K. govt. giving \$9.3 mn. aid grant; remainder to be financed by Baring Bros., who have never been known to give aid.
\$11 mn.	Indonesia from Japan	Japanese companies have won another small order for cars and signals for Djakarta's suburban railway system modernization. Since the plan began in 1976, the Japanese have won orders for 40 railway cars and 56 diesel cars, plus signals and communications equipment. Sumitomo, Nissho-Iwai, Kawasaki, Hitachi, and NSSK are the suppliers.	Japanese hoping to snare main \$100 mn. Jabotabek modernization program starting in 1983.
\$213 mn.	Morocco from Japan/Spain	Mitsui will provide the engineering and Spain's Comercio exterior the equipment for Morocco's new sulphuric acid plant. Will produce 13,800 tpd.	Japanese and Spanish govt. financing.
\$85 mn.	North Yemen from U.K.	The Wadi Mawr irrigation project to improve 60,000 acres of farmland and build 100 miles of new access roads will be under the consultancy of Sir M. MacDonald and Partners of Cambridge.	Plan includes water supply to 103 hamlets.
\$190 mn.	Brazil from West Germany	Mannesmann Steel has received Brazilian govt. export tax incentives for plan to increase its steel production in Brazil from present 750,000 tpy to 1 mn. tpy. Mannesmann is shifting project mix to demands of Brazilian market. It dropped plans to produce welded pipe in 1979, but will now fabricate 13 $\frac{3}{8}$ inch seamless pipe for petroleum industry to replace imported pipe. It is moving into huge hydraulic steamshovels, while divesting its process control equipment subsidiary, which is constrained by regulations on foreign companies, and by market conditions.	Mannesmann says not bothered by Brazil's profit remittance laws, "since we reinvest our profits in Brazil."
\$70 mn.	Tunisia from Italy	Pirelli Tire won contract for equipment and technology for Tunisian tire plant which will make 8,250 tpy auto and large industrial vehicle tires. Plant is for STIP, owned by Tunisian, Kuwaiti, and Saudi investors.	Pirelli share is \$25 mn.
\$67 mn.	Malaysia from Japan	Hazama-Gumi of Japan will build 4,300 prefabricated houses in Bangi, Selangor State.	

Business Briefs

Domestic Credit

Fed's Wallich promises higher interest rates

Federal Reserve Board member Henry Wallich told foreign press March 16 that interest rate levels in the U.S. will remain at high levels.

Wallich, who maintains close ties to the Switzerland-based Bank for International Settlements, said that "we're going to see the policy [of tight credit] through. There should be no doubt or reservations." When asked whether the U.S. high interest rates were hurting Europe's economies, Wallich said, "the high interest rates in Europe are not exclusively the result of U.S. interest rates. Besides," he added, "the main pain is being felt in the United States."

Wallich he stated that "the Federal Reserve does not agree with Milton Friedman that monetary policy should be the main instrument of economic policy. It would be better," Wallich continued, "if there were an incomes policy, no Davis-Bacon, no farm price supports, a reduction in the budget, a \$10 oil import tax." But since neither the Congress nor the President will accede to such demands, Wallich concluded, "we'll have to rely mostly on monetary policy."

News Media

Journalists discover Volcker's depression

A round of attacks on Federal Reserve Board Chairman Paul Volcker for starting a depression appeared in the nation's major liberal press over the third week in March.

The liberal *Los Angeles Times* headlined an editorial "Interest Rates: The Real Culprit" in which it said that "the grim word 'depression' is being heard. . . . The great depression didn't happen overnight, either," and went on

to itemize the collapsed auto and housing sales, factory capacity utilization down to 70 percent, and asked, "Isn't that enough? Why are interest rates so high?"

Leonard Silk, in the *New York Times*, intoned that "monetarism . . . is an unmitigated failure," and cited Citibank Chairman Butcher, erstwhile Volcker defender, complaining about high interest rates. A top Wall Street economist observed that this is the "worst slump since the great depression," in a complete change of line for this self-professed conservative. "The main cause of this cumulating downturn has been the Federal Reserve's excruciatingly tight money and credit policy over the past year or so. . ." he continued.

Silk himself identified that high interest rates are a major *cause* of the budget deficits and general crisis they are ostensibly intended to correct, pointing out that they destroy productivity and capital investment and thus "induce inflation."

Industry

Auto, housing, airlines still on the skids

The announcement on March 15 that auto sales for the first 10 days of March were 30 percent below last year's depressed levels confirms that the worst is happening to the auto industry—it is continuing to collapse in 1982 following a disastrous 1981. Consumers are simply not buying: prices are higher than for comparable imports; people are worried about their jobs and don't want to be saddled with payments; banks and finance companies are withholding credit from those who still want to buy.

Housing is continuing its decline for the same reasons. Many banks that lend to homebuilders, it was reported in March 14's *Baltimore Sun*, have so many bad loans to homebuilders that they can't afford to foreclose. The Fort Worth, Texas, National Bank is offering mortgage loans to homebuyers at 12 percent,

hoping to be able to sell the excess homes and bail out the homebuilders—but even at these rates, homes are not selling.

The deregulation of the airline industry continues to threaten several medium and large carriers—led by Air Florida, New York Air, World Air and Braniff—with bankruptcy. In the steel industry, Kaiser Steel of California is on the edge of bankruptcy, as a potential investor withdrew his offer to help refinance the shaky company, which led to a stock collapse on Wall Street for the company. National Steel is also in trouble, it was just announced, and will freeze all wages in anticipation of huge losses for the first quarter.

Foreign Exchange

Fight over European exchange controls

The meeting of the European Community finance ministers March 14-15 was an open confrontation between the forces of the United States, and the West German government of Chancellor Helmut Schmidt, who is determined to keep close ties to U.S. President Ronald Reagan.

As the meeting opened, former Tory Prime Minister of Britain Edward Heath took the floor of Parliament to demand that Europe immediately cut itself loose from the dollar monetary system and impose exchange controls on European currencies. "The European community must immediately set about insulating itself on capital movements," he said, repeating his open call for controls made in a speech in Fulton, Missouri this month.

The identical demand was reportedly made by the Socialist government of François Mitterrand in France at the EEC finance ministers meeting. West German banking sources report that France has been using its critique of high U.S. interest rates as an excuse to demand full-scale European exchange controls, and attempting to give Americans the impression that West Germany has

similar designs. "This is nonsense, Schmidt wants nothing to do with exchange controls," the German banker said.

The French demand was totally rebuffed at the meeting by the German delegation.

Banking

Congress to rescue bankrupt S&Ls

The U.S. Congress has taken steps to bail out the nation's Savings & Loan associations. House Banking Committee Chairman St. Germain (D-R.I.) announced March 10 the introduction of a formal Congressional resolution pledging the "full faith and credit of the U.S. government" behind the \$13 billion combined federal insurance funds for the S&Ls and banking industry. Should the Federal Deposit Insurance Corp. (assets \$5 billion) or the Federal Savings and Loan Insurance Corp. (assets \$7 billion) be depleted, Congress under the resolution "will back" the funds and replenish them.

This is the first time Congress has pledged Treasury tax revenues to this end. Senator Banking Committee Chairman Jake Garn (R-Utah) has introduced a similar measure into the Senate which is being cosponsored by Senator John Heinz (R-Pa.), Senator William Proxmire (D-Wisc.), and Senator Donald Riegle (D-Mich).

Furthermore, a full "bailout of the S&Ls with Treasury cash is imminent, and will be sent through Congress by April 15," the same official predicted. St. Germain introduced HR 5568 in February, which calls for a \$7.5 billion Treasury subsidy to S&Ls, Senator Alan Cranston this month began circulating similar legislation in the Senate.

"All we're fighting about is the price tags," said my source. "The White House has thrown their weight behind the moves, led by [Presidential Counselor] Ed Meese, who's being political."

Development Policy

Brandt Commission attacks Reagan

The Overseas Development Council (ODC), the official U.S. representative group for the Brandt Commission, strongly attacks President Ronald Reagan's Third World economic policy in its recently released annual report. The ODC demands that Reagan stop blocking the Brandt Commission strategy of "decoupling" the less-developed countries LDCs from the industrial West, and forcing them to stop importing Western technology.

The ODC's book-length report entitled "U.S. Foreign Policy and the Third World: Agenda 1982" is written by Roger D. Hansen, author of the Council on Foreign Relations Project 1980s study on the LDCs. It was ordered by the ODC's new chairman, Robert Strange McNamara, which claimed in an interview March 16 that all U.S. foreign policy must now be devoted to population reduction.

"Agenda 1982" opens by attacking the Reagan administration's purported view that the Third World should be seen as a battleground between the U.S. and the Soviet Union. In fact, "the South is a security issue in the traditional geopolitical sense," writes Hansen, an area which the U.S. must see to control in-and-of itself.

This can only be done by attempting to manipulate the LDCs into cutting themselves off from both East and West, he says, and by encouraging them to *fall back on their own domestic resources*, even if in practice this means starvation.

In order to promote "self-sustaining" economies cut off from world trade, the U.S. should be even willing to consider approval of "Third World socialism" such as that set up by the Maoist Chinese in Tanzania, Hansen further writes. Such movements will keep the LDCs from asking brutal austerity as a "nationalist" policy.

Briefly

● **LEO TINDEMANS**, Belgian Foreign Minister, is working with the European Commission and the Reagan administration on a plan for a dollar devaluation to re-start world trade, sources at the European Commission told *EIR*. Under the Tindemans plan, the United States would loosen monetary policy, allowing the U.S. dollar to depreciate against European currencies far enough for European central banks in turn to significantly drop their interest rates. Tindemans reportedly broached the plan to President Reagan during Tindemans' March Washington trip.

● **ROBERT MCNAMARA**, just-retired head of the World Bank, will be traveling to South Africa later this year to give a very controversial speech denouncing apartheid. The speech has been arranged with the Witwatersrand University, but the South African authorities do not know the contents, McNamara confided. "If they did, they would deny me my visa," he said, noting that the speech could cause problems for South African relations with the Reagan administration.

● **WILLIAM REES MOGG**, retired editor of the London *Times*, now believes that "gold won't work in the international monetary system," he told *EIR* from London. A former avid advocate of the BIS plan for central bank gold remonetization, he said "nothing can be done to get a central bank arrangement" on gold because "the Reagan administration won't buy it."

● **ZENKO SUZUKI**, Japan's Prime Minister, said March 16 he has instructed Foreign Minister Yoshio Sakurachi, who will leave for the United States March 20, to urge Washington to lower interest rates.

Evidence of FBI crimes now before the U.S. Senate

by Linda de Hoyos

Both the British-pedigreed Sen. Malcolm Wallop and the controlled media have so far refused to admit to the American people that in carrying out its Abscam campaign against the United States Congress, the Justice Department and the Federal Bureau of Investigation were guilty of gross misconduct. Yet during the Senate debate March 3 through March 11 on the expulsion of Sen. Harrison Williams, reams of evidence of FBI misconduct were placed before the nation's senators. That evidence will be the starting point for the full Senate investigation into Abscam and the FBI promised by the Senate leadership. The opening of this investigation is the subject of a resolution which Senator Alan Cranston, Democrat of California, announced on March 11 he will soon be presenting to the Senate.

Already the evidence before the Senate, and assembled in the *Congressional Record* of March 3, 4, 8, 9, 10, and 11, records crimes that far surpass the "dirty tricks" on the part of the executive branch that were paraded before the American people during Watergate. From the first day of the Senate debate, it became clear that with Abscam the Justice Department was not seeking to prosecute Senators and Congressmen who had demonstrated "a pattern of criminality," but was carrying out a political witch-hunt. From there the crimes documented in the evidence submitted show that the effect of the Abscam operation was a gross violation of the Constitution of the United States, which endangers the basic civil liberties of every citizen.

Second, it was shown that to carry out this unconstitutional campaign the Justice Department and the FBI employed criminal means. It is that combination—the use of criminal means in action against the civil liberties of citizens—that represents the *police-state methods* that must be immediately brought to a halt if this nation is to survive as a democratic republic.

The evidence now in the hands of the Senate must be only the beginning of the investigation if the Abscam apparatus in the Justice Department is not merely to be constrained but rooted out. In its two-year battle against Abscam, *Executive Intelligence Review* has documented that the Abscam apparatus in the Justice Department is up to its necks in international



The Capitol Building in Washington, D.C.: Soon on the floor of the Senate will be a resolution mandating a full probe of Justice Department misconduct during the Abscam investigation.

organized crime, including dope trafficking. Begin with the FBI's star witness convicted con man Mel Weinberg himself, who boasted in his authorized biography, *The Sting Man*, that he had helped to fund the terrorist Red Brigades in Italy through an entity called London Investors, known to be part of the billion-dollar dope empire of Mafioso Meyer Lansky. Proceed from there to the Abscam prosecutor Thomas Puccio, who is a "good friend" of Italian dope mobster Michele Papa, and, as reported by the Italian press agency La Repubblica on Feb. 23 of this year, is rumored to have "received the modest sum of \$16 million in one of his numerous trips to Sicily in exchange for shutting his eyes to the trafficking of drugs between Palermo and New York."

It is also the case that Abscam's initiating Attorney General Benjamin Civiletti and Assistant Attorney General Phillip Heymann, while they were busy preparing frame-ups against U.S. congressmen, were also busy covering up the Billygate scandal that linked the Carter family to the dirtiest terrorism and drugs apparatus in the Mediterranean. Those links to Libya and to the dirty-money networks were mediated through Thomas Puccio's friend Michele Papa.

A Senate investigation that pursues these leads—and many others—to the bitter end will necessarily lead to the conclusion that the Abscam apparatus within the Justice Department operates not on behalf of the citizenry of the United States but is an asset in position within the nation's highest law enforcement capabilities operating for the protection of the international British-dominated dope cartel, Dope, Inc.

Senate debate

March 3: Opening statement by Senator Wallop for Ethics Committee in favor of expulsion of Senator Williams; opening statement by Senator Inouye in defense of Senator Williams; statement of intent by Senator Cranston to enter censure motion.

March 4: Opening statement by Senator Williams, with request that, as a show of his good faith his immunity be waived; Senator Cranston announces that he will sponsor a resolution for a full Senate investigation of executive-branch misconduct during Abscam.

March 8: Senator Williams continues his statement; Senators Wallop and Heflin rebutt.

March 9: Senators Heflin and Mattingly defend Senate Ethics Committee report; Senator Cranston introduces motion to censure, not expel, Senator Williams.

March 10: Senator Melcher speaks in Williams's defense; Senators Leahy, Bradley, Pryor, and Mitchell call for expulsion; Senator Hayakawa supports censure motion.

March 11: Senator Williams delivers farewell speech; Senators Cranston and Inouye pledge probe of Abscam.

What the Senate Ethics Committee refuses to admit about FBI crimes

by Linda de Hoyos

I. Violation of the Constitution of the United States

The very existence of the Abscam campaign represented a violation of the Constitution, on three counts: violation of the separation of powers, violation of due process guaranteed by the Sixth Amendment, and the use of law enforcement capabilities to carry out a political witch-hunt.

Violation of the separation of powers

On March 3, the gross violation of the separation of powers between the executive branch and the Congress were raised on the floor of the Senate by Senator Daniel Inouye (D-Hi.): "It is not the business of the executive branch to test for weaknesses in any member of Congress or to attempt to discover at what point the uncorrupt can be corrupted. . . . After many weeks of studying the anatomy of Abscam, I am convinced that the decision to undertake it, the Government's misconduct once it began, and its subsequent effort to justify it all, all add up to an encroachment on the independence of the legislative branch which we cannot tolerate if we are to remain separate and co-equal."

The next day, Senator Alan Cranston, Democrat of California, again raised the issue in motivating his resolution for a full Senate investigation into Abscam:

Moreover, I am sure all Senators share my deep concern about an undercover operation directed

against the Senate by executive branch prosecutors who unblinkingly asserted in an October 2, 1981, Government brief on this matter "that undercover operatives do not need probable cause, or even reasonable suspicion to commence an investigation." . . .

Such an operation when directed against the co-equal legislative branch of Government by the executive branch poses a very real threat to the separation of powers and checks and balances that the Constitution establishes to protect our system of government and the freedom of all Americans.

Executive branch action—such as through the manipulation that occurred in the 1960s and 1970s of FBI and IRS resources—to develop information which could be used to attempt to compromise members of the Congress could impair the constitutionally established independence and integrity of the Congress itself.

Unchecked abuse of executive branch investigation and prosecutorial power could escalate into despotism and the ultimate subservience of the Congress to the executive branch in derogation of the Constitution.

It takes little imagination in light of the events of the last decade or so to conjure up a scenario whereby an executive branch, believing the tactics employed in Abscam were appropriate or at least tolerated, might target a member of Congress

because of the member's anti-administration views and actions.

Toleration by us of the Government's actions under the previous administration in this case would, in my view, invite its repetition under circumstances that could produce a disastrous blow to our constitutional form of Government.

A political witch-hunt

But, in fact, political targeting of the Congress has already occurred under Abscam. Even aside from the case of Senator Williams, Senators Inouye and David Pryor (D-Ark.) presented cases of Justice Department targeting of Senators, despite the fact that there was no reason to suspect them of corruption.

"In recorded conversation on September 10, 1979," Senator Inouye reported, "Mr. Melvin Weinberg, Abscam's No. 1 con man, said 'Javits we would definitely like and we'd like Moynihan.'

"Now just what was going on in this investigation? This Abscam team wanted the Speaker of the House, Tip O'Neill. They went after Peter Rodino, Chairman of the House Judiciary Committee."

Senator Inouye then documented for the Senate the process by which it was determined to go after Sen. Strom Thurmond, Chairman of the Senate Judiciary Committee:

Let us take, for example, a recorded conversation of January 7, 1980, in which Congressman John Jenrette of South Carolina indicated that Senator Strom Thurmond, the senior Senator from South Carolina, could be approached to assist these Abscam investors, but that he would be "damn expensive." When Congressman Jenrette was on the stand at his trial, he said that his allegations about Senator Thurmond were false. . . .

What actually happened in this case? Let me quote from the testimony of Mr. Phillip Heymann:

"The first time I think I learned of Jenrette's statement about Senator Strom Thurmond was when United States Attorney Charles Ruff called me up and said, 'I want to go ahead and offer in some way an opportunity for Senator Thurmond to come in and take some money. . . .'

"And I said, 'Go ahead.' This is the first time I heard of it. So, for me, the time within 15 minutes of the time the phone rang, I said, 'Yes.'"

Within 15 minutes—that is according to his testimony—the Assistant Attorney General of the United States said, "Yes." And this from the man who testified before Congress:

"After the careful internal review procedures are satisfied, we will initiate an undercover investigation only where we have a well-founded reason to believe that there is a pattern of criminality."

Later, in testimony before the House Judiciary Committee on March 4, 1980, Phillip Heymann simply lied as to the nature of the Abscam probe: "I know of no case where an agent has gone out and tried to persuade a political figure to take a bribe, which would be the equivalent of trying to persuade him to take stolen goods."

In the case of Senator Larry Pressler (R-S.D.), the sting operation was approved by FBI director William Webster himself. Senator Pryor told his colleagues March 10: "The investigation, the attempt of a \$50,000 bribe on Senator Pressler, was not authorized by mid-lemen. That authorization was made by William Webster. . . . William Webster has signed this memorandum. It states . . . 'Try to be sure this new Senator [Senator Pressler] knows he's being paid.'"

Senator Pressler had been told that he was not a subject of investigation by the FBI, as Pryor indicates: "I ask my colleagues, if Senator Pressler was not a subject of investigation, as the letter of Feb. 6, 1981, from the U.S. Department of Justice indicates, why then was it William Webster himself who gave this authorization?"

Violation of due process

"Never before had employees of the executive branch tried to frame up a member of Congress," Senator Williams told his peers on March 8. "Never before in the history of our great Nation has a Senator been convicted of a created crime. For the first time, we confront the fear that we could be ultimately and whimsically subjected to criminal punishment for no reason or any reason, all at the caprice of some executive employee."

Throughout the Abscam campaign against the Congress, the willingness to convict an individual on the basis of a crime created by the FBI constitutes a violation of due process. This violation of due process jeopardizes the rights of all citizens, Senator Cranston pointed out in his speech entered into the *Congressional Record* on March 4:

Abscam was a wholesale fishing expedition with the executive branch using a large net to try to trap members of Congress. It could have mounted into a massive assault upon the Constitution. Any Senator, no matter how unblemished his or her record, could have been targeted.

Due process requires strict observance of rules to protect all citizens from entrapment—from deliberate designs to overcome the will of someone resisting temptation and criminality. . . .

No one is immune from rumor and innuendo. Someone is almost always available to circulate gossip or fabricate charges against any elected official. . . .

Hence, if the FBI agent in charge is gullible, compromised, or simply careless, . . . as the evidence indicates beyond any doubt in Abscam, an individual in any walk of life could be made the target of a sophisticated, persistent scam.

But the most startling testimony to the FBI's *creation of crime* comes not from any senator but from within the FBI itself. In a memorandum dated Jan. 29, 1980, Newark Organized Crime Force chief Robert Stewart complained to his superiors that Abscam violates normal entrapment procedure. He described Abscam as follows:

Basically you have a public official who is minding his own business and presumably discharging his public responsibilities in a correct manner. An intermediary then asserts that the official is corrupt and will take a bribe. Usually, there is little or no evidence that the official knows anything about the intermediary's representations. There may be little, if any, extrinsic information which would suggest that the particular official is corrupt. On the contrary, most of the officials begin the conversation with disclaimers of criminal intent and offers to handle the problem in a perfectly correct and lawful manner. The Undercover Operatives then press, and they dangle large sums of money in front of the official—initially with promises that he will never be required to deliver the *quid pro quo* because the payment is only insurance against a remote contingency. The official relents and accepts the payments—in some cases offering to perform further criminal acts, in others without providing additional evidence of predisposition or criminal intent. In several cases the payment was refused.

All of this is very different in kind and quality from a conventional sting operation.

What happens when, as Senator Williams did, the official does refuse the bribe? In this case, a roster of charges are drawn up which the prosecutors believe, with the suppression of certain evidence can convince a jury—already operating in a climate of press innuendo concerning the victim. In reality, as Senator Inouye pointed out on the Senate floor on March 3, the official has in fact been accused *ex post facto* of a crime of coming to a meeting—or even worse, in the eyes of the FBI, of attempting to serve his constituents.

Senator Inouye argued:

Imagine if I were in New York during the convention in 1980 and a mayor from one of the cities in Hawaii comes forward and says, "I met some very interesting people. They would like to invest some money for geothermal energy." What am I sup-

posed to do? If I learn that his name is Abdul Habib, am I supposed to say, "Whoa, I do not want any part of Arabs." Is that what we are supposed to do?

So I go to this meeting. What have I done by going to this meeting? The same thing that Senator Williams did. He touted and blew his own horn. It was not vastly different; it was just slightly different in degree and maybe in kind. . . . I am certain that all of us have one time or another used our good offices to encourage investment in our State or in our State's businesses. What is wrong with that? . . .

So what crimes did Pete Williams commit, if he did commit any crime at all? He was trapped in this nightmare because he wanted to help his constituents. And what is the nature of our business here? To help our constituents. Each of us intercedes to encourage the economic interests of our constituents. This is part of our job. And we would not be re-elected unless we were able to provide such assistance.

II. Criminal means

The evidence submitted to the Senate on the FBI's use of criminal methods in order to carry out Abscam comes from two basic sources: memoranda submitted to the courts by assistant U.S. Attorneys Robert Weir and Edward Plaza, who risked their careers in submitting such information; and Mrs. Marie Weinberg, who knowingly risked and subsequently lost her life to bring forward such evidence.

Manufacture of evidence

Even before an investigation was given approval, the Abscam teams created evidence to convince superiors that the probe should be initiated or continued. According to the memoranda of Robert Stewart, this occurred in the case of Senator Williams. Stewart states: "On March 4, 1979, Mr. [Thomas] Puccio indicated that suspect 'W' [Williams] of New Jersey had a hidden interest in the particular business venture. It was the hidden nature of this interest which was *malum prohibitum*, and it was this fact which justified further investigation. . . . On May 11, 1979, . . . Mr. Puccio reiterated to Mr. Del Tufo and myself that 'W' had a hidden interest in the venture; and during a conversation on June 5, 1979; Puccio told me that 'W' had acknowledged his hidden ownership during a meeting the preceding Thursday. Many months later, when we finally obtained the tapes, the situation proved to be quite different. The whole idea of hidden ownership appears to have sprung up from a statement by 'F' [Philadelphia City Council member Abe Feinberg] on March 8th to the effect that 'W' would have a piece of the venture, though he could

not show it. That was a prediction by 'F,' not a statement of existing fact."

The set up continued. In his speech entered in the March 4 *Congressional Record*, Senator Cranston relates how Williams had been set up by Edward Ellis, a New Jersey owner of the Garden State Raceway. In the tape of March 5, 1979, it was revealed that "Edward Ellis, after coaching by Weinberg, indicates to undercover FBI man McCarthy that he can corrupt Senator Williams, and that he has already bribed him—he "cost me a hundred thousand bucks." Later in the March 8 tape both Feinberg and [former Camden Mayor Angelo] Errichetti, talking about how Ellis had oversold the Williams connection, indicate Ellis had probably never even met Senator Williams.

"As is confirmed by much other evidence, this was Weinberg's standard method of operation. As he told numerous Government prosecutors, 'we would have no cases' if he did not put words in people's mouths."

Forgery

According to an FBI contact memorandum dated Sept. 26, 1979, the Abscam team forged a letter in Senator Williams's name stating his interest in the Abscam business venture. Angelo Errichetti forged the letter during a meeting in Cherry Hill, New Jersey, with FBI agents Anthony Amoroso and Bruce Brady.

When Mr. Williams presented this story to the Senate, Senator John Melcher of Montana pointed out the reason for the forgery: "I suggest that perhaps the forged letter was to show in a convincing way, not to the sheik, who was an FBI agent, as the other three FBI agents are who know it is forged—but it was to convince somebody else that the Senator was willing to participate as broadly as the letter would indicate."

In short, the investigation was pushed along, not because of the slightest evidence of criminal intent or predisposition on the part of Senator Williams, but on the basis of manufactured evidence manufactured by Melvin Weinberg, the Abscam FBI agents, and Prosecutor Thomas Puccio.

Gift-taking and bribery

The chief evidence of gift-taking and bribery on the part of the Abscam team comes from an affidavit submitted by Mrs. Marie Weinberg to the court of the County of Palm Beach, Florida, on behalf of defendants Richard Kelly, Eugene Robert Ciuzio, and Stanley Weisz. Her affidavit began as follows:

"1) I am married to Melvin Weinberg. I am a resident of the State of Florida and I will disclose my home address to the Court *in camera*. The reason for my refusal to place my address in this affidavit is my fear that I shall come to harm if my home address is known."

In a letter to the Senate Ethics Committee on Jan. 22, 1982, Senator Inouye asked the Ethics Committee if it has considered Mrs. Weinberg's testimony, which he described as follows:

"Mrs. Weinberg will testify that Mel Weinberg did not lose four tapes on the Air Florida flight; as he testified at Senator Williams's trial; that Mel Weinberg pocketed substantial sums of money in kickbacks he got from Angelo Errichetti, and never disclosed this to the FBI agents who were supposed to be controlling him; that Weinberg gave Anthony Amoroso and John Good gifts (including those that he had extorted from others), and that said agents never closely supervised Weinberg; that certain FBI agents lost about 40 other Abscam tapes. I am told that Mrs. Weinberg can also testify that Mel Weinberg covered his gift of a microwave oven by purchasing another oven and giving the receipt to Puccio and FBI agents; that Mel Weinberg is and was in the possession of many of the Government's documents on Abscam; that Leslie Maitland, the reporter who broke Abscam, was a house guest of Mel Weinberg the week prior to the publication of the articles written by Maitland; that she [Marie Weinberg] was in possession of the 1979 and 1978 diaries of Mel Weinberg, and that Mel Weinberg stated to Marie Weinberg that he had perjured himself in a number of Abscam trials."

The Ethics Committee informed Senator Inouye that it had decided that it need not call upon Mrs. Weinberg to testify before it.

Affidavits submitted by the FBI in late February, after the death of Mrs. Weinberg, corroborated her testimony. As reported to the Senate by Senator Cranston: "We learned only last week that FBI affidavits filed on Feb. 23 before Judge [George] Pratt fully corroborate Marie Weinberg's allegations that numerous personal effects from her home were turned over the FBI agents Good and Amoroso. . . . Besides attesting to Mrs. Weinberg's credibility, these affidavits show incredible insensitivity on the part of the FBI and Justice Department. Chief Prosecutor Puccio now defends these actions by the FBI and suggests that the extent to which the agents . . . had been compromised by engaging in personal financial transactions with Weinberg is irrelevant to Senator Williams's case. . . ."

"Despite Mr. Puccio's assertions in Judge Pratt's court that there was nothing improper about these transactions, they clearly violate the Department of Justice's Standard of Conduct regulations, in part 45 of the Code of Federal Regulations governing the behavior of all Justice Department employees."

Conflict of interest

Given the overall criminal character of the Abscam investigation and its criminal methods, it is not surprising to find that Prosecutor Thomas Puccio, in charge of

the Abscam campaign against corruption, should be involved in a conflict of interest. The conflict revolves around his co-authorship of a book on Abscam with Jack Newfield of the *Village Voice*.

In his letter to the Senate Ethics Committee, Senator Inouye reported: "I am told that Esther Newberg, the literary agent for author Jack Newfield, will be queried concerning Thomas Puccio's possible illegal financial interest in *Project X*, the book to be written by Newfield on Abscam, whose hidden collaborator was allegedly Thomas Puccio. This book project was in progress prior to the indictment of Senator Williams.

"I am told that Mr. Puccio will be queried about his allegedly inconsistent testimony concerning Mr. Newfield's book and his involvement therein."

The Senate Ethics Committee replied that they had already called upon Thomas Puccio, and further answered, "Again, the issue is not the conduct of Mr. Puccio, but rather the conduct of Senator Williams."

But there is doubt that this conflict of interest, which already violates the Justice Department standards, was irrelevant. Senator Williams reported to the Senate on March 8 that "Mr. Newfield, a reporter, has been quoted as saying that: 'If Williams isn't convicted maybe there won't be a book.'"

Forum shopping

Substantial evidence was submitted to the Senate to show that the Abscam prosecutors in 1980 had forced the moving of the Abscam trials from Newark, New Jersey, to the Brooklyn court of Judge George C. Pratt where the cases would be prosecuted by Brooklyn Organized Crime Strike Force chief Thomas Puccio.

The change in venue came with the case of Kenneth MacDonald, vice-chairman of the New Jersey Casinos Control Commission, who had been brought up on Abscam charges. After the Newark Grand Jury had already begun hearing the case, members wrote the following letter to the Newark Judge Fisher:

"Our Thursday panel [panel jury] listened to testimony in this case [MacDonald] from early fall through the first week of January. We expected the attorneys to present the bill for our consideration within a few weeks. Now, without having been told, we read in the newspaper that this case is to be moved to a grand jury in Brooklyn.

"This seems a strange decision in view of the time spent on the case in Newark, and of the court costs, payments to jurors, and commuting expenses of attorneys from Washington and of some of the witnesses. . . .

"Moreover, what does this mean in terms of the overall investigation? Does the Justice Department feel that it will be more likely to get the preferred decision in Brooklyn than in Newark?"

The ensuing course of the Abscam trials would tend to answer that question in the affirmative. Judge George C. Pratt specifically charged the grand jury in Brooklyn to overlook all misconduct of the FBI.

The issue of forum shopping was also directly raised in the Senate debate on March 9 by Senator Cranston:

"Two weeks ago, in filing answers to Senator Williams's and Mr. Jenrette's motions to reopen the due process hearings, the Government took conflicting positions. And listen to this: In its memorandum before Judge Bryant in the Jenrette case, the Government staunchly denied Marie Weinberg's allegations about her husband's transfer of personal property to the FBI agents. But the very next day, before Judge Pratt in the Williams case, the Government filed the FBI affidavits confirming her accounts.

"I am shocked by this Government duplicity. Is this a case of forum shopping to find where best to bury incriminating evidence of Government misconduct?"

Suppression of evidence

The major point of suppression of evidence involved the Abscam tapes themselves. Senator Cranston reported to the Senate that "Some 900 tapes were made during the Abscam operation. Many never have been transcribed. Many were missing—many disappearing while in Weinberg's custody. Many have gaps.

"Custody and control of most of these tapes were entrusted to Mel Weinberg. The decision as to what to tape and what not to was entrusted to him. When the tapes were heard and transcribed by the FBI was controlled by Weinberg in terms of when he chose to send them in. The October 2, 1981, letter of former Federal Prosecutor Edward Plaza substantiates all of this."

Perjury

Once the Abscam case is brought to trial, the successful prosecution of the targeted victim depends on government testimony falsified to hide the gross violations of due process and ethical standards perpetrated during the "investigation."

The most exhaustive documentation of the perjury committed by Melvin Weinberg and the Abscam team is found in memoranda submitted by Edward Plaza and offered as exhibits to the Senate from Senator Cranston in the March 3 *Congressional Record*.

On Dec. 2, 1981, Edward Plaza presented Judge Penn, currently presiding over the due process hearing of the Jenrette case in Washington, D.C., with a memorandum in which he lists 10 instances of false testimony on the part of Deputy Assistant Attorney General Irving Nathan, including the following instance:

Nathan Testimony—page 704: "Most of the unrecorded conversations between Weinberg and the sub-

jects of Abscam investigations were of the 'Hello,' 'How are you' nature.

Facts: "A review of the existing tape recordings reveals substantial portions of un-recorded conversations as well as references to countless un-recorded and otherwise undocumented meetings between Weinberg and the various subjects. Plaza and Weir were advised by [Justice Department attorneys] Weingarten and Holder that telephone toll analysis revealed that there were more than eighty (80) un-recorded conversations between Weinberg and Errichetti alone."

Plaza lists five cases of false testimony on the part of FBI Special Agent John Good, including the following:

Good's Testimony—Pages 865 through 869: "Melvin Weinberg was carefully monitored during the investigation and the FBI maintained a careful chain of custody of the tapes produced by Melvin Weinberg."

Facts: "In May 1980, several months after the Abscam investigation had gone public, it was still not known which conversations and meetings of Weinberg had been taped. . . . Many months later Messrs. Weingarten and Holder were still uncovering evidence of untaped and undocumented Weinberg meetings and conversations."

As for Melvin Weinberg himself, Plaza has this to say:

"The limited purpose of this outline does not permit me to list all of Mr. Weinberg's false statements."

Yet on March 4, 1980, the FBI Director vouched for Melvin Weinberg and the entire stable of Federal Witness Protection Program criminal informants, in testimony before the House Judiciary Committee:

"Those of us who live in a world of decency . . . sometimes find it hard to assume that anyone who engages in crime can tell the truth. But when he is telling the information to someone whom he thinks is in league with him, that is sometimes the way by which we get our very best information consistently, in all types. . . .

"We have some of the most important ones now that are going through the process, organized crime figures dealing with our undercover agents, and telling us things are that are true and turn out to be true."

As the summary evidence presented here and the pages of documentation in the *Congressional Record* show, the FBI Director would have more accurately stated: "things that are false and which we make to be true." That is the police-state method—protected by the U.S. controlled media—which is at the core of Abscam, from the initiation of "investigation" to the presentation of charges in the court, to the due process hearings, to the Senate Ethics Committee. This is the police-state method employed by the international dope machine against the citizenry of the United States, which must and will be stopped.

Who upheld the Constitution

Sen. Inouye:

'*Trial a farce*'



Excerpts follow from the statement by Daniel Inouye, Democrat of Hawaii, on the Senate floor March 10: Senator Inouye's opening statement to the Senate on March 3 in defense of Senator Williams was excerpted in the last issue of Executive Intelligence Review.

I know that all of us have read recent editorials and we have heard from our constituents that Pete Williams was convicted of crimes and, therefore, expulsion is the only possible remedy.

The Ethics Committee has said that the Senate should proceed independently of these convictions, and I agree. The convictions in Brooklyn are a house of cards that could collapse at any moment.

If the Senate's action is based on the trial court, and the trial court verdict is overturned, there will be nothing left but perhaps a Senate that looks foolish because we were in a rush to thrust an embarrassment from our midst. I believe that all of us who have spoken thus far would agree with at least this one proposition. It is the task of the Senate to judge our colleague solely on the evidence before us. And the Senate cannot and should not rest its decision on an initial judgment of a court in what will undoubtedly be a long and complex judicial process.

Mr. President, I know that such a view of this case will not win us any friends; I know that this view will be misunderstood by many of our constituents. But I believe that such a view will serve this body as an institution by

maintaining the independence of our judgment of a colleague's behavior. It has been said many times that the Constitution commits that power into our hands and that we must not—we must not—delegate it to the judicial branch. . . .

In all of the previous cases where we had expelled a Senator, the evidence has been unequivocal. That such a measure of proof was used seems only fitting when the Senate is considering this extraordinary act of expulsion.

In the Bright and Blount cases the evidence was in the form of letters, and in all of the other cases it was a conduct of engaging in a rebellion. Whether this was by writing or by conduct, the actions which were judged were unequivocal.

The case of Senator Harrison Arlington Williams, Jr. is based on a much different foundation. This case is based almost entirely on the interpretation which we placed on conversations, interpretations. It is, therefore, much more difficult to state unequivocally what took place in these conversations. . . .

If we must interpret, if we must guess at, the meaning of words, phrases, and whole conversations, if the evidence is equivocal, then I say we should not employ the remedy of expulsion. The sanction of expulsion is too final to be used on equivocal evidence, and the case before us rests on an equivocal foundation.

Just recall yesterday, the confusion in the questions and the answers, the unanswered questions; add to this the un subpoenaed and now unavailable witnesses. How can we, under these circumstances, impose the most severe sanction, the sanction of finality?

The Constitution has been quoted many times. We know what the qualifications [for being a U.S. Senator] are: 30 years of age, 9 years a citizen, and a resident of the state he or she represents.

But now it appears that we may have added a fourth requirement. Now we may also be subject to a pass-fail test on our probity and our sense of ethics. This test is to be initiated by, and under the sole control of, the executive branch. I am certain that the Founding Fathers would surely not have countenanced such a malicious device. The integrity of the Senate is challenged by this investigation, and the Constitution compels us to reject its advance. . . .

The press has been reporting this sad episode since early February 1980, and has, within the past week, been quite explicit in its editorials and feature articles. . . . They have been telling us where our duty lies. . . . Each of us must decide the case of Pete Williams alone; without regard to the pain and suffering that we may have suffered, or the embarrassment we may have experienced; without regard to the pressures from the press; and without regard to the pressures of political expediency. We are the guardians of this institution, which was created by the Constitution.

Sen. Cranston:

'Abscam a threat'



From the statement by Sen. Alan Cranston, Democrat of California, on the Senate floor, March 4:

Next week, I will propose a substitute amendment to the pending measure that would censure, rather than expel, Senator Williams for behavior bringing the Senate into disrepute.

Second, I will be introducing next week, with the co-sponsorship of the Majority Whip [Ted Stevens (R-Alaska)], an original Senate resolution to provide for full Senate investigation of executive branch misconduct regarding the Abscam undercover operation and other activities targeted against members of the Congress. The investigation would be designed to determine the extent to which these activities constitute a danger to the separation of powers and the system of checks and balances inherent to our Constitution and to produce recommendations regarding what protections may be necessary to preserve the independence and integrity of the Congress. . . .

To rely on the jury verdict in this case, obtained as it was—I will undertake to show—by a marauding executive branch thoughtless of constitutional separation of powers between the great executive and legislative branches of the federal government, is to abrogate to the executive our responsibility under Article 1, Section 5, Clause 2, of the Constitution to decide the qualifications of our members and punish those who go astray. We should not, in the name of self-discipline, in effect permit the executive branch to decide who may sit in Congress.

Moreover, I am sure all Senators share my deep concern about an undercover operation directed against the Senate by executive branch prosecutors who unblinkingly asserted in an Oct. 2, 1981, government brief on this matter that “undercover operatives do not need probable cause, or even reasonable suspicion to commence an investigation.”

Mind you, the so-called “undercover operative” in question here is not the clean-cut, high-minded agent of “This is Your FBI” fame. Not at all. The operative here is one of the sleaziest crooks and con artists ever caught and convicted of a federal felony: He was then turned loose, with the blessing and protection of the govern-

ment, to pursue and trap members of the Congress at a time when the government had no basis to suspect them of criminal wrongdoing or propensities. . . .

Such an operation when directed against the coequal legislative branch of government by the executive branch poses a very real threat to the separation of powers and checks and balances that the Constitution establishes to protect our system of government and the freedom of all Americans. . . .

It takes little imagination in light of the events of the last decade or so to conjure up a scenario whereby an executive branch, believing the tactics employed in Abscam were appropriate or least to be tolerated, might target a member of Congress because of the member's anti-administration views and actions. Toleration by us of the government's actions under the previous administration in this case would, in my view, invite its repetition under circumstances that could produce a disastrous blow to our constitutional form of government. . . ."

Sen. Melcher:

'Look at economy'



From the statement of Sen. John Melcher, Democrat of Montana, on the Senate floor, March 10:

I firmly believe that there is desperate need for the Senate to be addressing the problems of the economy. We slip every day deeper into a recession that threatens to engulf more jobs, make more families poor or destitute, cause farm, ranch, and small business foreclosures, and bankrupt large businesses and institutions and decimate many of our basic industries.

All of this year so far the Senate, I will remind my colleagues, has spent practically all of its time debating whether or not to televise ourselves, and the rest of the time, other than that, dealing with a filibuster on bus-ing. . . .

I am not yet ready to vote for expulsion because I am not sure of all the facts. I am not sure of the credibility of the evidence that has been presented because I am not sure of the credibility of those who gathered the evidence to present to the prosecutors, and eventually, the same evidence that went to the Ethics Committee. I am not sure that all of the evidence has been presented by the Justice Department. . . .

No independent review of the facts has been conducted. The Ethics Committee report is a simple recitation of Prosecutor Puccio's case, plus testimony submitted by Senator Williams and other witnesses. Basically, it is a case regarding Senator Williams which was presented by Mr. Puccio, which was conducted almost a year ago. . . .

There are continually flaws in the committee arguments that keep unfolding, and that really have concerned me as to the conclusiveness of the evidence presented. . . .

The greater matter before us, the second matter, is the method used by the Justice Department to gather evidence and the presentation of that evidence by the Justice Department, and the withholding of evidence by the Justice Department, or the prosecutor, or the judge to convince a jury that Senator Williams should be convicted. The FBI scam used taxpayers' money—none of which Williams accepted. Justice Department methods in obtaining evidence, in my judgment, violated the law. . . . That is, the Justice Department conspired to violate the law, that evidence was withheld by either the Justice Department or the judge, contrary to law, and that the depth of this quagmire of Justice Department illegal activities has not yet been gauged.

We have been told by the Ethics Committee that consideration by the Senate of Justice Department irregularities is for another time. It is my belief that that is an equal problem we face today with the Williams expulsion—and we cannot conclude the consideration of that problem until we consider the intertwining of Justice Department falseness and deliberate misleading of the public, the jury, and indeed, the Senate itself. . . . We cannot say—as does the committee in the reports and arguments made here on the floor—that this Senate debate is totally independent of anything that occurred outside and then turn around and make the trial, the trial judge, and the prosecutor the basis for the expulsion of Williams. I ask, can we investigate Abscam—that includes the trial judge, the FBI, and the prosecutor—while at the same time using the very scenario created by the Abscam team and the events that followed as a justification for expelling Williams? . . .

There is a scene from history I want to call your attention to; a scene based on real life from *A Man for All Seasons*.

Like the attorney general, renowned lawyer and king's legal adviser Thomas More refused Henry VIII's demands for a legal pronouncement on one of the King's marriages. Thomas More's legal opinion on that was very important to Henry VIII.

His refusal—More's refusal—set Henry against his former friend and one of his leading counselors.

Henry plotted. He sent a secret agent to More's household to seek evidence to discredit More. He seeks employment—gets none at all.

But More's daughter Alice, cries;
"He is a spy. Arrest him. Father, that man is bad."
More replied: "There is no law against that."
More's son-in-law Roper interjects: "There is. God's law."

More replied: "Then God can arrest him."
More adds at this point in soliloquy that he is not God and would never attempt to dispense God's law. The play then continues:

More: "But in the thickets of [human] law, oh there I am a forester. I doubt if there's a man alive who could follow me there."

Alice (Exasperated, pointing after the spy): "While you talk, he's gone."

More: "And go he should if he was the devil himself, until he broke the law."

Roper: "So now you'd give the devil benefit of law."

More: "Yes, what would you do? Cut a great road through the law to get after the devil?"

Roper: "I'd cut down every law in England to do that."

More (roused and excited): "Oh? And when the last law was down, and the devil turned around on you—where would you hide, Roper, the laws all being flat? This country's planted thick with laws—man's laws, not God's—and if you cut them down d'you really think you could stand upright in the winds that would blow then? Yes, I'd give the devil benefit of law, for my own safety's sake."

Sir Thomas More—in my church we call him Saint Thomas More—had no love for the devil.

He had love for the law and love for principle—for justice.

For our country's sake we should not allow all the laws to be cut down by the Justice Department—to set aside, bent—to gain what they have contrived to be seeking justice.

They have sought too hard, they have disregarded the law we have imposed here in the legislative branch to protect us all as citizens.

They have gone too far.

I do not believe there has been an adequate defense of the Justice Department action here in bending the law, in shoving it aside, to say that it is a process that sometimes you need to do to enforce the law.

If they succeed in this striking down or bending of the law, I believe it is a question of safety's sake and like More I ask "Can citizens stand upright in the winds that blow then?"

The Senators who wanted expulsion

Sen. Heflin:

'Stings are proper'



From the March 3 statement to the Senate by Ethics Committee Vice-Chairman Howell Heflin, Democrat of Alabama, on the committee's findings in the case of Senator Williams:

No sooner had the jurors in Brooklyn returned home from court on May 1 last year, having duly rendered their verdict, than telegrams and letters began to pour into the office of the Ethics Committee urging that we immediately and forthwith expel Senator Williams. In language sometimes cynical and emotional, often sober and reflective, many of my constituents in Alabama and countless citizens throughout the land advocated action so swift that it would have been summary. In all candor, who can argue that the reputation of the Senate is enhanced by the presence among its numbers of a person who has been convicted of a crime? . . .

We cannot wait until all appeals are exhausted. To do so would delay our decision possibly for years. The Constitution does not require it, and the American people will not stand for it. . . .

Assume for a moment that the government's conduct in Abscam was reprehensive; let us assume it. The committee steadfastly maintained that government conduct has absolutely no bearing on the conduct of Senator Williams as a keeper of the public trust unless it can be demonstrated that his will was overborne. . . . It should be perfectly clear that Senator Williams was not targeted

by the FBI, the Department of Justice, or the Carter White House. . . .

Having examined the evidence, it is clear that Senator Williams has violated his public trust; that he breached his sacred covenant with the people of New Jersey. . . . Entrapment could never be a defense to allegations of misconduct when the standard for judgment is a higher one than that which obtains in the criminal process. . . .

Assume coaching, even assume entrapment. If a member of this body really knows right from wrong . . . then that member would not hesitate . . . to get up and walk, walk away from the sleazy characters, walk away from the talk about sheiks and deals . . . walk away from talk about Government contracts. . . .

By the rule of fundamental fairness under the watchful eye of a concerned public and a vigorous free press, we have an obligation to see that an ultimate judgment be made, and that it be fair, impartial, and just. The Constitution requires we do no more. The American people expect we do no less.

From Senator Heflin's March 8 statement rebutting Senator Williams's defense:

Certainly in regard to the separation of powers we should have a law, and this is something we can look into, that if a decision is made to target a member of Congress that that decision should be made at the highest echelons of the Department of Justice and the Federal Bureau of Investigation.

We think that the sting operations can be effective in bringing people who have been committing crimes to a stage of where they can be convicted, and sting operations have been effectively used by the FBI and by police departments in various places. . . . I do not feel that because a person is a member of Congress that that gives him immunity from a sting operation.

From Senator Heflin's March 9 rebuttal:

The Ethics Committee had done an independent investigation. It was limited because we could not interview up until the trial evidence was made available, or may have been made available a few months in advance of the actual trial, I believe, but they did have an independent investigation, and after this was over then, of course, the new set of lawyers, being a third group of lawyers who were involved, wanted to reopen the case. The committee had already made its report.

The majority leader and the minority leader, the leadership in the Senate, asked the Ethics Committee to act as an investigative arm for them and we made our recommendations, in effect saying that we did not feel any new evidence was presented or if it was new evidence that it could not have been presented at the trial. . . .

Sen. Wallop:

'No FBI misdeed'



From the March 8 statement by Senate Ethics Committee Chairman Malcolm Wallop, Republican of Wyoming, rebutting Senator Williams's defense:

First is that the issue before us is the conduct of Senator Williams and not that of law enforcement authorities in the Abscam cases, and if the latter is to be considered, it should be done at a later time when these law enforcement authorities are given the same opportunities to present their side of the various allegations made against them. . . .

The only issue before us today, and throughout this proceeding, is the conduct of Senator Williams. . . .

Senator Inouye has stated that Senator Williams, too, was improperly targeted and the Justice Department's investigation was based on charges against Senator Williams which were initially fabricated by Mel Weinberg. This statement is simply not borne out by the record in this case. In fact, there is no evidence that the FBI sought out Senator Williams. . . . The government's investigation of Senator Williams, far from being part of an orchestrated attack on the legislative branch, was the natural outgrowth of Senator Williams' January 1979 meeting with Mayor Errichetti in Camden, New Jersey. . . .

Sen. Bradley:

'Follow Wallop'



From the statement by William Bradley, Democrat of New Jersey, on the Senate floor March 10:

To protect that faith [which people extend to political institutions] the Senate has created an Ethics Committee

and has vested that committee with guardian responsibility for the standards of the Senate. A Senator should reject a recommendation of the Ethics Committee only if that recommendation seems very substantially unsupported by the evidence before the committee and very clearly inconsistent with the standards of the committee and the Senate. Nothing in this case, I am sad to say, suggests such exceptions to me. I will vote for expulsion.

Sen. Eagleton:

'Expel Williams'



From the statement by Thomas Eagleton, Democrat of Missouri, to the Senate March 9:

I am the showcase liberal on the Ethics Committee. . . . In my view, Senator Williams was a knowing participant in this sleazy enterprise. He was not dragooned or blugeoned into it. . . . Mel Weinberg is a demonstrated crook and a liar—truly a reprehensible person. But, as a former prosecutor and State attorney general, I realize that in certain areas of criminal law enforcement, you must sometimes deal with reprehensible people to make a case. . . .

Senator Williams has not had the good grace and good judgment to withdraw from this body. We should not perpetrate our own disgrace by asking him to stay. . . .

Sen. Moynihan:

'I did right'



From the statement by Daniel Patrick Moynihan, Democrat of New York, on the Senate floor March 4:

It seems to me an elemental duty to Senator Williams to report to the Senate that I have the transcripts of two meetings involving Mr. Melvin Weinberg, Mr. William

Rosenberg, Mr. Bruce Brady, a special agent of the FBI, and also Mr. Tony DeVito, a special agent of the FBI. . . .

In this transcript, Mr. Rosenberg, who was a convicted felon, who has subsequently been found guilty in one of the Abscam cases, represented himself as having 'been in contact with Senator Javits, with me, with Congressman Lent of New York. . . . he also represented himself as being in contact with the late Senator Robert Kerr of Oklahoma.

He was instructed by Weinberg and DeVito to offer money and bring in a person. . . .

It could be pointed out that Mr. Charles B. Renfrew, the Deputy Attorney General on Jan. 27, 1981, wrote to me and wrote to Senator Javits that Mr. Rosenberg had confessed to lying with respect to the representations he had made. . . .

Sen. Pryor:

'FBI not on trial'



From the statement by David Pryor, Democrat of Arkansas, and member of the Senate Ethics Committee, on the Senate floor March 10:

I would like to compliment Senator Heflin and Senator Wallop for an outstanding, unselfish, patriotic job. . . . Due process in the Ethics Committee was granted to Senator Williams. It is my opinion that if the strict definition of due process were not granted to Senator Williams in the trials and in the proceedings before it got to the Ethics Committee—maybe it did not, under the strict interpretation of the law—if it did not meet that test, it certainly would have been a callous disregard for the rights of a human being. . . .

[But] the Federal Bureau of Investigation is not on trial. As I balance the interests, the equities, and look at what I have to do, I think at this point that the only thing we can do is vote to expel our friend Senator Williams from the Senate.

Senator Edward Kennedy, Democrat of Massachusetts, took no part in the Senate debate. The Senate's Republican Party leadership made no substantial contribution to the debate.

Senators challenge Ethics Committee

On March 9, Senators Joseph Biden (D.-Del.), Ted Stevens (R-Alaska), and Patrick Leahy (D.-Vt.) challenged the Senate Ethics Committee definition of conflict of interests, as applied in their consideration of the Harrison Williams case. Exerpts from the exchange between Senator Leahy and Ethics Committee Chairman Malcolm Wallop follow.

Senator Leahy: On the specific question of promising to use your office to get something of value for another, let me pose a hypothetical: Suppose someone comes to you from your state, the mayor of a community in your state, and says they need funds to finish a sewer project in that community, otherwise they are going to have to raise taxes in their community. Let us say, to even stretch it a little further, that you own property within that community. The mayor comes to you and the senator responds: . . . This is your lucky day, because I know all of these people right up to the top, and they need me. They need me badly. I will get you that sewer grant, or whatever."

And let us push it even further. Let us say, indeed, whoever is involved with issuing those grants downtown in the bureaucracy actually comes before [your] committee on whatever subject, and on the way out the Senator says: "By the way, I know you have got X amount of discretionary money. Smalltown, U.S.A. needs some money. Send them some money." Is that a violation?

Senator Wallop: Yes, I think it would be a violation, if it could ever be proved that the Senator traded on his influence in return not for his constituents but for his support and a wide realization that he had held those two things together.

Senator Leahy: That is not my hypothetical.

Senator Wallop: Well, it sounds like your hypothetical to me.

Senator Leahy: No. The hypothetical is stated exactly as it was. He said just those things: "I am a powerful important Senator because I am chairman of this sub-

committee or whatever and as a result I can make calls on behalf of the Smalltown, U.S.A. and indeed I will, and there it is." And, indeed, he makes the phone calls and either because of that or maybe purely coincidentally the assistant deputy director of sewer grants uses some of that discretionary funds and the money actually shows up there.

Has he violated his office?

Senator Wallop: Senator, my guess is probably that he has not, unless he also shares in the \$100 million loan to the sewer company that is building it, which is what is at issue here.

Senator Leahy: Let us say he has an interest in a sewer company but is also interested that he does not want his taxes to go up.

Senator Wallop: I think that any time in the world a Senator ties his public service to some personal function, he is on the thinnest of ground with the Ethics Committee, whether or not it could be proved. . . .

Senator Leahy: If future Senators were actually to fall to the temptation while campaigning in their own state to say "Because of me you have this Veterans' Hospital" or "Because of me you have this dam" or "Because of me you have this park," or "Because of me you have this federal building," or "Because of me you have this seaport," or whatever, that they are—

Senator Wallop: Senator, the difference is unbelievable in what we are talking about here in the case of Senator Williams, who traded on his office for personal profit. . . . What we ought to be looking at is what is at issue here in front of us.

Senator McClure: I understand the question that was asked by the Senator from Delaware. . . . But the hypothetical situation the Senator has outlined seems to me to be in the ordinary course of the business we are doing here. . . .

Senator Leahy: But that does not seem to be the answer I get from the distinguished Chairman.

Senator Wallop: Perhaps I do not understand the Senator's question. I have tried to. . . . Perhaps he could restate it.

Senator Leahy: The concern I had . . . was the emphasis you were putting on bragging about your ability to use your office. And I questioned whether at least the temptation might not be there to Senators, on occasion, to brag, back within their own states, of their importance or their influence or whatever. And I am asking the Chairman to what extent—and the reason I posed my hypothetical—is to what extent that creates an unethical situation, because if it does, we may be here for the next couple years trying 99 more people.

Sen. Williams:

'Abscam threatens the sovereignty of the legislative branch'

From the statement of Sen. Harrison Williams to the Senate, March 4:

Mr. President, today, as I stand before you and my colleagues, I know that I am completely innocent of all crime and impropriety and, therefore, totally confident that I will be fully exonerated in the appeals process.

We all have an important responsibility to deliberate on the most fundamental questions relating to the sovereign integrity of the U.S. Senate as an independent institution of Government.

This is the first time I am to be judged by my peers on the totality of the Abscam net that was so crudely wrapped around me. In Brooklyn, New York where my law case was tried, the jury was specifically denied the right to consider government misconduct. The Ethics Committee prohibited any consideration of the gross misconduct of operators from the Department of Justice and the FBI.

If the Abscam operation is to be understood in its totality, not only my conduct but the Government's conduct must be considered, I submit to you, by the full Senate, so that justice might be realized.

These elements of the Department of Justice and the FBI, which sought to instigate and foster criminal activity where none existed, must bear responsibility for their part in this sordid affair. It is this Government misconduct, the illegal, unconstitutional, and ethically repugnant methods of those involved within the FBI and the Justice Department who sought to implicate me in their criminal scheme that must be examined.

And it is in light of this executive culpability that we must consider the entire operation before we can consider the preposterous recommendation that I be expelled from this body—an action last taken in our history against those who committed treason during the Civil War.

No citizen should be made to be answerable, either by judicial or moral standards, for what it appears he or she may have done. Each citizen, however, must be held responsible, and in every respect, for what he or she has done. So it must be with a U.S. Senator.

I have not committed a crime nor have I acted

improperly. It is this misconception which has been

created by the techniques of this operation and by the media, which I must dispel.

So I rely upon you, my colleagues, to conduct a reasoned, thorough investigation of the reprehensible activities of the executive branch of government during its Abscam operation. I rely upon you to perform the historic function for which this great body exists, to guide our nation on the course of justice.

The constitutional barrier that separates the executive and legislative branches has been shattered by this at-

Cranston calls for a probe into Abscam

On Thursday March 11, following the resignation of Senator Williams, Sen. Alan Cranston, Democrat of California, motivated his soon-to-be-submitted Senate resolution for an investigation of government misconduct in Abscam. Excerpts from his statement follow:

The Senate has come face to face with the enormity of misconduct and impropriety by the Department of Justice and the FBI in the entire Abscam operation. . . . It is now incumbent on the Senate to proceed with a full Senate investigation as is provided for in the resolution I and others will introduce shortly. . . . I am confident that the Senate will adopt such a resolution swiftly and that Senator Williams'

tempt to create crime. It is the first time in the history of our country that this has happened.

It has happened to me. It can happen again. My fight, until most recently, has been a lonely fight, but in conscience I had no choice. If this tactic goes unchallenged, tomorrow, tomorrow, tomorrow, it could become an Executive method to control and intimidate this sovereign branch of government. . . .

I, along with all American citizens, first heard of the previously secret Abscam operation two years ago. As I looked out of my house and saw a barricade of media who had received leaks from the Department of Justice before I, myself, was accused of any crime, I knew that the first principle of American justice was being turned on its head. That first principle of justice is that a man is innocent until proven guilty. I knew when I looked out into that sea of media, innocent though I was of any crime, that I would have to battle to prove my innocence. I knew that the fantasy that had been developed over the prior 13 months was an attempt to get me to appear to be doing something criminal.

The abuses of certain members of the government during the investigation and since it was first revealed to

me have been extensive. Government agents, a hired criminal, and co-opted individuals forged a letter on my Senate stationery. They committed major perjury, obstruction of justice, and other crimes. They took bribes and gift favors from the convicted felon Mel Weinberg, who brazenly attempted, at taxpayers' expense, to bring about my demise. They considered drugging me. . . .

The essence of FBI and Justice Department wrongdoing is the machinations of Mel Weinberg, the hired criminal, and the errant government operatives. Even further goes the web of government misconduct against the Constitution and . . . the U.S. Senate. . . .

I therefore appear before you not merely in my self-interest but to insure that we together preserve the integrity of the U.S. Senate as an institution and the very democratic principles which are our heritage. No forum is more suited to this task than the Senate of the United States. No forum is more able. No forum is more proper. I just feel that because of the profundity of one question—the question of separation of powers and the methods used by the executive branch—our Founding Fathers would have us here this day doing what we are doing. . . .

lonely fight against overwhelming odds, over these six days, will have been the reason a full investigation will be undertaken. . . .

If there were ever any doubts that Abscam went wrong, and how badly it went wrong, they were removed by yesterday's revelations . . . that the attempt to bribe our colleague Senator Larry Pressler was done on the spur of the moment with the express approval of the Director of the FBI William H. Webster. . . . As the Senator from Hawaii said about the matter: "Shame, shame, shame." This shocking disclosure alone fully justifies the investigation we are calling for.

My questions about the government performance include:

The extent to which the Justice Department itself was being deluded . . . by Mel Weinberg, the con man who was masterminding the entire undercover operations, and the extent to which adverse statements by others about Senator Williams and other government targets may have been manufactured by Weinberg and relied on by the government.

The extent to which the U.S. government was itself compromised by Weinberg.

The extent to which there were gaps in tape transcriptions, what might be found when the gaps are

filled in, if possible, and what can be learned of untaped and undocumented conversations.

The extent to which allegations of misconduct were and were not fully investigated by the Justice Department.

The extent to which there was a failure of supervision over Weinberg with respect to his taping activities and his other activities.

The extent to which Weinberg was led to believe that any of his compensation depended upon convictions.

The extent to which there was any effort to cover up improper or illegal government activities in connection with Abscam.

The extent to which other Senators and Members of Congress were targets of Abscam. . . .

The extent to which the full scope of executive-branch misconduct . . . may have compromised the investigation and prosecution of Senator Williams and other Abscam defendants.

The extent to which executive-branch misconduct that is found to have occurred was approved by or known to the top officials of the Justice Department and the FBI. . . .

The resolution directs that a final report be submitted to the Senate not later than July 1, 1983. . . .

White House is Al Haig's target in Central America

by Gretchen Small

President Reagan gave tacit approval to Mexico's proposal for a mediated Central American settlement when he obliged Secretary of State Haig to meet at length March 14 and 15 with Mexican Foreign Minister Jorge Castañeda in New York. Haig and Castañeda are reported to have worked out "concrete proposals" to alleviate the crisis, and the Mexican Foreign Minister said he will relay the American position to the Cubans and Nicaraguans.

Although "Mexico cannot negotiate for us," Reagan said during a visit to Montgomery, Alabama, the Mexican initiative is a welcome effort to "open doors." Privately, Mexican and American officials close to both presidents are optimistic about a dialogue.

However, though it appears that Castañeda is under orders from his President—despite his proclivities to do the bidding of the Socialist International—the same cannot be said of Haig. In depending on Alexander Haig to coordinate with Mexico to bring stability to the region, Reagan is calling on a pyromaniac to put out a fire.

The White House decision to go with the Mexican proposal followed a week of provocations, military preparations, and an unmatched display of intelligence incompetence that looked almost deliberate on the part of Haig. The Secretary of State had accomplished two things: First, his efforts to come up with evidence of "powerful" Cuban and Soviet intervention made Washington a world laughing stock. Second, his theatrics were exactly what the radical right and left extremes in Central America wanted to justify their own policies.

Haig's bull-in-a-china-shop routine began when the American press ran front-page coverage of well-timed State Department "leaks" of plans for covert U.S. action against Nicaragua, including backing of paramilitary

commandos operating along the Honduras-Nicaragua border and funding opposition layers inside Nicaragua. Next came the dramatic State Department presentation of glossy photos of Soviet installations in Nicaragua, shown by the same photo expert used to recognize the Soviet missile sites in Cuba in 1962.

Predictable response

The Nicaraguans responded exactly as they were supposed to. Nicaragua's new ambassador to Washington quickly announced that if the threat of invasion and covert operations continues, his government will feel fully justified in buying MIG fighters from the Soviets. "If we did not build up our defenses after what is happening now," echoed Managua's Agriculture Minister, "we would be very irresponsible."

The dynamiting of two bridges in northern Nicaragua a few days later added to the paranoia. Managua imposed a 30-day state of emergency, suspended some civil liberties, and put the militia on alert.

The White House began to register its anger over the turn of events. Presidential Counselor Edwin Meese, said the London *Daily Telegraph* March 14, was furious at the State Department's leaks about covert action.

Next followed the now-famous incident of the Nicaraguan defector, brought to the United States to "tell all" about his training in Cuba and Ethiopia before going to fight in El Salvador. Instead, he announced on nationwide television that his "confession" had been obtained by torture at the hands of the Salvadoran government. President Reagan wondered aloud to reporters why no one had raised the possibility that the incident was a "setup."

A setup by whom, the President did not say. But

some people at the White House are trying to put the State Department on a shorter leash. National Security Adviser William Clark—like Meese, a member of the “California group” of White House officials—has since moved to seize a modicum of control over Foggy Bottom, issuing a memo stating that all new presentations of “evidence” on Central America must be cleared by the interdepartmental group on foreign policy overseen by the National Security Council.

A quiet intelligence war has broken out. Unnamed “senior administration officials” complained to the *New York Times* in mid March that they were “disappointed that intelligence agencies had refused” to make public any evidence to back up Haig’s claims about Nicaragua.

The arrest of a ring of international arms traffickers in Costa Rica announced by San José authorities March 16, in fact is the first “concrete” evidence on who runs guns to the Salvadoran insurgents—and the story it uncovers does not fit with Haig’s “facts” at all.

Seven terrorists of Argentine, Costa Rican, Salvadoran, and Nicaraguan nationality were caught with 150 M-16 automatic rifles, thousands of rounds of ammunition, grenades, bomb-making materials, and communications equipment. Several carried multiple passports. When questioned as to why they had chosen Costa Rica as the base for their gun-running into El Salvador rather than Nicaragua—which borders on El Salvador—the smugglers replied that authorities were too vigilant in Nicaragua.

Even more shocking is the report from sectors of U.S. intelligence that the American-made weapons found on the terrorists were originally issued to Israel in 1978 by the U.S. government under the Camp David accords. These sources further report that the captured group is believed to have been on the payroll of the Israeli Mossad intelligence agency.

Eye on Mexico

Despite Reagan’s instructions to cooperate with Mexico, the Mexican government is now a target of the State Department’s demolition crew. There has been a sharp intensification of the line developed over the past two years by the circuit of U.S. Social Democrats. The line is that Mexico collaborates with leftists abroad, but at home it is a reactionary “dictatorship” that will inevitably be rocked by violence and unrest from the poor and oppressed, as have its neighbors.

U.S. ambassador to El Salvador Deane Hinton told the *Washington Post* March 17 that Mexico “should not play the lead” in forging a solution to the regional crisis, because “they are part and parcel” of the problem. The Mexican government, he charged, has allowed guerrillas to establish a “base for fundraising and propaganda activities” in Mexico. Simultaneously, the State Department’s faceless “senior officials” went into action, telling the *New York Times* that the administra-

tion accepted the Mexican proposal only because “if the mediation effort fails,” then the Mexican government will “better appreciate the threat to its security represented by Soviet and Cuban interference in Central America.”

With shooting incidents between Salvadoran, Honduran, and Nicaraguan gunboats breaking out in the Gulf of Fonseca and the Salvadoran military demanding the United States help them double troop strength to 50,000 men, time and maneuvering room for the White House and intelligence community allies to stabilize the area are running out. Shutting Haig’s mouth is just not enough.

Documentation

López Portillo discusses his mediation plan

The following are excerpts from a New York Times interview with Mexican President José López Portillo March 10, 1982. The New York Times only published a small portion of the interview.

Q: Do you believe that Nicaragua is arming itself beyond its own needs? Do you believe there is evidence of arms being sent to the Salvadoran rebels?

A: That Nicaragua is arming itself is a fact; it is afraid of being invaded; the United States is arming itself; the Soviet Union is arming itself . . . each one has fear of its own risks, in proportion to its power. That of Nicaragua is minimal; its resources very limited. What is happening to Nicaragua is the same thing that is happening to Cuba: all efforts to arm itself means its people are being deprived of expectations of development, and this deprives them of [necessary] living standards, which is inconvenient for each of those two countries. . . . It is a fact that cannot be denied . . . they are weak countries faced with fear, and with only one response: to arm themselves. . . .

I can tell you what the Nicaraguans told me, that they deliberately are not allowing the transport of arms. The arms can arrive, in open countries with coasts, from anywhere. They insist no, the United States declares yes; the fact is the arms arrive. They leave from somewhere.

What I would like is for us to create sufficient conditions of security such that through reciprocal agreements we would be assured that they will not continue arming themselves. How do we achieve such security? By eliminating the cause, and eliminating the cause means eliminating the fear; . . . we eliminate the fear through formal “non-aggression” pacts that would serve as the basis for stabilizing and defending the area. . . .

Q: What are your special concerns on relations in the near-term future?

A: To resolve the longer-term problem, in my way of looking at it, nothing can replace intensified North-South dialogue and global negotiations at the United Nations. That is why in my proposals in Managua, although the solution was implicit, the proposals were concrete and addressed the short term. That speech was in fact a proposal for détente. . . . I am certain that Cuba is prepared to negotiate all points of security concern for the United States. If détente between the United States and Cuba is achieved, we will have alleviated most of the Central American situation. . . . It may seem absurd, but this is a security we should give to a country which feels cornered . . . a non-aggression pact and negotiations and guarantees that its neighbors will not attack it. These are minimum assurances that a poor nation demands before it becomes desperate. If all hope is eliminated for that people, it will become desperate and a desperate people is a group of human beings ready for anything, including death. I don't believe this is the solution, eliminating Nicaragua's youth.

Cold coup in Panama adds to regional instability

by Ricardo Ramirez

The high command of Panama's National Guard, the country's only military force and highest policy-making body, was reshuffled in early March in what amounted to a coup. Forced into sudden retirement were the Guard's commander-in-chief, Florencio Flores, and two of his top deputies.

Among their replacements are officers who have been linked to the international drug traffic and to the Italian Freemasonic Propaganda-2 lodge. The outlawed P-2 lodge, headed by Licio Gelli, was identified by the Italian government as the control center for Mediterranean and Latin American drug trafficking and terrorism.

The Panamanian government insisted that the unexpected changes in the Guard's leadership were strictly "routine." But this was belied by the statements of Socialist International adventurer Hugo Spadafora, who said that "Flores was ousted because he was too timid politically." Spadafora's comments were interpreted as referring to the Guard's relatively moderate posture toward the Central American crisis, paralleling the stance taken by Mexico.

Spadafora—a former member of the cabinet—gained wide notoriety during the Nicaraguan civil war, when he organized an "International Brigade" of guerrillas to

fight alongside the rebels. Scion of the Panamanian branch of the "black nobility" Italian family of the same surname, the Libyan-trained Spadafora is now organizing similar "brigades" for El Salvador and elsewhere.

More radical stance

One possible outcome of the coup is that the Guard's new high command may now adopt a more radical stance toward Central America. In the early days of the conflict in El Salvador, former Panamanian strongman Omar Torrijos had initiated talks with all the warring factions in an attempt to mediate the conflict. He had also begun to link his peace-making efforts with those of Mexico's President, José López Portillo, and with Ecuador's Jaime Roldos.

This earned Torrijos the enmity of the Jesuits and other radicals—both of the "right" and "left" varieties—who wanted to heat up the Salvadoran war. Torrijos was killed in an "airplane accident" in July of last year, a few weeks after Ecuador's Roldos was also killed in the same manner.

The coup in Panama will likely bring about the shift in policy that was not fully achieved with Torrijos's assassination.

After Torrijos's removal, the Panamanian government continued its mediation attempts. In October 1981, President Aristides Royo offered his services as a go-between to U.S. Secretary of State Alexander Haig, and in a speech to the United Nations General Assembly. More recently, Panama has lent its support to López Portillo's peace proposals for Central America.

There have been persistent indications that Panama's cooperation with Mexico to bring an end to the genocidal bloodshed in Central America provoked the ire of the war-mongering circles around Haig. In mid-February, for example, U.S. ambassador to the United Nations Jeane Kirkpatrick, a "right-wing" Social Democrat, denied that either Panama or Mexico were "democratic nations," and left the distinct impression that both nations could expect reprisals.

Drugs and P-2

The new head of the National Guard is Rubén Darío Paredes, but it is believed that the real power lies with associates of the new vice-chief of staff, Col. Manuel Noriega, which include Torrijos's cousin and heir-apparent, Col. Roberto Díaz Herrera.

Noriega's name has surfaced in investigations of the drug traffic that goes through Panama, report officials of the U.S. Drug Enforcement Administration. As head of intelligence during the almost 13 years that Torrijos ruled, Noriega oversaw the forging of the South American "connection" to Panama's traditional role as a transshipment point for drugs on their way from the Orient to the West.

Brandt versus Schmidt

The West German Social Democracy's chairman is at the core of the transatlantic plot to dump the Chancellor, reports Renée Sigerson.

A former Mayor of West Berlin now living in New York City, where he runs the German Social Democracy's Friedrich Ebert Foundation, detailed in a private discussion with American researchers how the clique around former Chancellor Willy Brandt aims to drive Helmut Schmidt out of office by no later than September. Dieter Stobbe, West Berlin Mayor from 1977 to 1979 and an intimate associate of Brandt's since 1960 when he worked in Brandt's own mayoralty campaign, documented no less than eight critical developments scheduled to occur between now and September, "each of which is significant enough to produce a change of government."

The goal of the Brandt faction, Stobbe indicated, is to hand Germany over to a right-wing government and yank the Social Democrats (SPD) back into the position of being an impotent opposition party. This would allow Brandt to reorganize the SPD as a party representing the peace and environmentalist movements, not the alliance of trade unions and regional industry groups which has emerged during Schmidt's eight years in office.

Stobbe is also a listed associate of the German Marshall Fund, the elite U.S.-German association run by the same Lower Manhattan-London investment banking houses which administered the postwar military occupation of Germany. As previous issues of *EIR* have documented, the Marshall Fund is coordinating the gameplan to dump Schmidt.

On March 15 Schmidt launched a new effort aimed at thwarting his opponents, giving preliminary announcement to the press that he intends to run for re-election in 1984. A formal declaration of the re-election bid will be made at the April 20 SPD Congress in Munich. Schmidt may be able to use the announcement there to counter maneuvers already planned by Brandt to turn the Congress into a test of Schmidt's strength. The night before the proceedings begin, the peace movement has announced, it will hold a mass rally in the city. Brandt has stated he wants to speak at the rally, and according to Stobbe, thus far Schmidt has ordered Brandt not to, on the grounds that since Brandt chairs the SPD, his presence would give legitimacy to transformation of the

SPD into a party of peaceniks and other radicals.

Genscher's sabotage move

Stobbe described how the peace movement in Germany came into existence. It began in 1979, he stated, as a direct response to "certain changes in American foreign policy." Asked whether Germany's increasingly grave economic problems and rising unemployment were perhaps adding to unrest in the population, Stobbe vehemently insisted that Schmidt had made a fatal blunder by making economic policy the central issue of his administration. "The problems in American foreign policy, more than any other issue, is the central concern for the German population today," he proclaimed.

President Reagan, he added, was distrusted by the German electorate. Reagan's scheduled visit to Bonn in June for the NATO summit meeting, has now become the most dangerous political showdown facing Schmidt in the coming months—and in the course of his pronouncements, Stobbe revealed that it was Schmidt's Foreign Minister, Hans-Dietrich Genscher, who set the trap for Schmidt to convince Reagan to come to Bonn in June for an event which could permanently tarnish Schmidt's government.

The NATO summit was originally set to occur in Brussels. During Schmidt's January visit to Washington, a proposal was presented to change the site to Bonn, to allow Schmidt to show Reagan an act of friendship. As soon as the change of location was made public, the German peace movement declared it would hold mass, hundred-thousand-strong demonstrations across the country when Reagan arrived. There is a serious danger that the violent fringe minority in the peace movement will launch civil disturbances on that day, threatening Reagan's security. Asked why Schmidt didn't just allow the meeting to be held in Brussels, Stobbe blurted out, "That was Genscher's idea. . . . He did it to gain more maneuvering room around his efforts to get a new coalition going."

The fact that Genscher is involved in maneuvers against Schmidt is publicly recognized. As chairman of

the Free Democrats, the small swing party, Genscher has openly courted the opposition Christian Democrats for the formation of a new government. This is the first time, however, that Genscher has been named as the source of the decision to bring Reagan to Bonn.

It documents that the Free Democrats are not merely keeping open the option of a change of government, but are actively involved in dangerous maneuvers to drive Schmidt out. "Schmidt doesn't want to resign," Stobbe noted at one point, "and it isn't an easy matter to replace a German government. . . ."

The pending showdowns

Leading the chronological list of political showdowns facing the Chancellor before September is the March 20 regional election in Lower Saxony. There the SPD is in opposition, and the Christian Democrats govern on the basis of an absolute majority.

The test for Schmidt is whether the SPD will lose even more votes than it did in the last election. Some polls have warned that the SPD might even dip below 40 percent, which would be disastrous for Schmidt.

The final days before the Lower Saxony election, however, shed light on how German politics is far more complex than is generally appreciated by international observers, and how Schmidt's base of regional trade union and industrial layers is much more resilient, as well as hostile, toward Brandt's circle than is admitted, particularly in the U.S. press.

Lower Saxony is governed by Christian Democrat Ernst Albrecht, the protégé of a patrician family, the Bahlsens. Owners of Germany's leading baked goods firm, the Bahlsens are intimates of a generations-old Quaker-Church of England clan, which also includes the Cadbury family of England, a clan which formed around colonial policies in countries which produce sugar and cocoa. Sometimes nicknamed the "Prince," Albrecht has Chancellorship ambitions and until recently was operating on the assumption that he would win a new landslide victory.

Suddenly his chances have dimmed. Recognizing that Albrecht is a key personality in the cross-party circle which has put Schmidt under attack, Schmidt supporters from different regions of Germany have gone into motion around Lower Saxony to prevent Albrecht from getting a landslide, thereby aiming to shatter his national ambitions, and mark a defeat for an anti-Schmidt protagonist.

One form this momentum appears to have taken, ironically, has been maneuvers to get more votes into Genscher's Free Democratic Party (FDP). In the last election, the FDP swing party did so poorly in the Lower Saxony regional election that it failed to get the necessary 5 percent required for representation in Parliament. In the final days before the election, reports

have come out that the FDP may recoup and force Albrecht to enter into a coalition. The speculations smack of a complex deal: according to some press accounts, the FDP has made formation of a coalition dependent upon a promise from Albrecht that the Lower Saxony delegation to the Upper House of Parliament will support Schmidt on a critical vote scheduled to come up in April on raising the Value-Added Tax.

According to Stobbe's and other scenarios, Schmidt is supposed to lose this vote to the Christian Democratic majority in the Upper House. If he does lose, this will produce a crisis in his cabinet over how to finance a 4 billion deutschemark emergency employment budget Schmidt rammed through the Bundestag last year.

Another scheduled development cited by Stobbe as a trap for Schmidt, which has now assumed complex dimensions, is the upcoming Parliamentary vote on German contributions to the construction of NATO nuclear missile sites in Sicily, Italy. In an effort to keep channels of communication open to Washington, Schmidt conceded to NATO demands that Germany assume financial obligations toward the buildup of NATO's Euromissile nuclear arsenal. The sitings in Sicily are an emotional symbol within the hard core of the peace movement, and the parliamentary sessions on these allocations are now a target for whipping up peace movement activism.

As the session approaches, however, it has become publicly known that no less a controversial figure than Libyan President Col. Muammar Qaddafi is working with peace movement leaders on planning civil disturbances to protest the Sicilian Euromissile project. The fact that Qaddafi has made public his contacts to German radicals has begun to lift the lid on a Pandora's box of new, intense controversies.

Just as in the United States, Qaddafi is viewed by the majority of the German electorate with greatest abhorrence. His admission of friendship with German radicals is reopening an old fight in Schmidt's cabinet which could backfire on the maneuvers to bring down Schmidt's government.

Within the Free Democratic Party, there is a "leftist" clique, supported by Interior Minister Gerhard Baum, which has been lobbying for Qaddafi to be brought to Germany for a series of public appearances. The powerful Baum oversees police functions and the secret services.

For the first time since his appointment, Baum's sympathetic relationship to terrorist operatives like Qaddafi has emerged as a topic of debate in the press and political circles. In mid-March, for example, the daily *Die Welt* questioned Baum's competence in fighting terrorism, while some CDU'ers have publicly asked whether Baum tarnishes the FDP as a potential coalition partner should Schmidt be brought down.

Defferre's purge of law-enforcement agencies triggers resistance in France

by Philip Golub, Wiesbaden Bureau Chief

A series of spectacular developments in an evolving crisis of major proportions between the government of François Mitterrand and the national police force of France has raised questions on the long-term stability and viability of the Socialist regime. The latest episodes indicate that a threshold has been crossed in the internal power struggles affecting the country.

That is the significance of the recent purges undertaken by **Interior Minister Gaston Defferre** and of the vehement reactions from the elite of the French police force which followed Defferre's actions.

In an effort to accelerate the purges which began in early summer 1981 of France's security forces, Defferre, former Mayor of Marseilles, tried to finesse the head of the elite **Brigade Criminelle**, **Marcel Leclerc**, out of Paris police headquarters, to take over as head of the Judiciary Police of Marseilles. Though nominally a promotion, the move was universally interpreted in Paris as an attempt to remove one of the most efficient police officers from his sensitive criminal investigations post in Paris.

Leclerc, who had been expecting a national promotion to the post of second-in-command of the National Judiciary Police, refused Defferre's ultimative offer. He was backed in his refusal by the head of the Judiciary Police, **François Le Mouel**. The latter, a Socialist, who had been promoted by the new government, resigned March 8 in support of his subordinate, despite their quite different political opinions.

The two events served to catalyze what is now a veritable revolt in the upper echelon of the police hierarchy. On March 10, 300 to 400 leading police inspectors and commissioners of the Judiciary Police gathered at their headquarters to protest against what they called a "witch hunt" launched against their leadership by Defferre. In the course of that assembly, Leclerc's subordinate, an Officer Floss, revealed that the Interior Minister had attempted to coerce Commissioner Leclerc's wife

into forcing him to accept the Minister's "offer." According to Floss, Defferre met with Leclerc's wife alone, and warned her that she and her family would bear the consequences of a refusal by her husband.

The Paris police leadership sees in this affair an effort to destroy the best security forces in the country for reasons which go beyond mere political party differences. Le Mouel's resignation is most intriguing in that it evidences a conflict which bypasses Socialist-opposition divisions.

Dismantling of French law-enforcement

Answers to the questions raised by this affair are probably to be found in and around Marseilles and in the pattern of scandals, purges, and Mafia warfare which are proliferating in Socialist France. Going beyond day to day events, patterns emerge which deserve investigation.

1) Not long ago, as part of the same dismantling of the Paris police as the Leclerc affair, a leading police officer, **Lucien Aimé Blanc**, was transferred to the city of Lille.

Aimé Blanc, unquestionably one of the best anti-Mafia fighters in France, had been along with Leclerc, one of the key officers in the dismantling of the "French Connection" in the early 1970s. Specializing in the struggle against the Mafia and the drug traffic, Aimé Blanc was part of a group of officers who had made France's police force one of the best in the world.

2) **Maurice Bouvier**, former head of the Judiciary Police and the central figure in the crackdown on the assassination apparatus which was directed at Charles de Gaulle, suffered the same fate as Blanc and Leclerc under Mitterrand's regime.

3) François Le Mouel, while closely tied to the Socialist Party, had been a leading figure with Aimé Blanc in the destruction of the **French Connection**.

Previous to his promotion to head up the Judiciary Police (replacing Bouvier), he had led the Brigade des Stupefiants, the equivalent of the U.S. Drug Enforcement Administration (DEA).

4) Marcel Leclerc and his Brigade Criminelle had been responsible for many successes against organized crime, particularly in the hunting down of the notorious—and protected—criminals Mesrine and Carlier in 1975, in a series of operations against the heroin Mafia Zammour family. Most recently, Leclerc had been the central investigator in charge of the investigation into the assassination of Mafia boss **Marcel Francisci**, who was professionally shot down Jan. 15 in Paris.

5) The murder of Francisci is one of the major pieces of the puzzle. Francisci, denounced in 1970 by DEA officer Jack Kiusack as the kingpin of the French Connection, had in recent years been publicly associated with the gambling industry in Marseilles, Nice, and Paris. Affiliated for years with the nominally Gaullist party of Paris Mayor Jacques Chirac, the **RPR**, as a local official in Corsica, Francisci however maintained continuous relations to the Socialist Party via its Marseilles and Corsican apparatus. Sometimes conflicting, sometimes friendly, these were nominally “business relations.”

Very significant evidence has recently emerged which proves that Francisci just before his death had contacted two top-level Socialist lawyers, **Maître Dumas** in Paris and **Maître Lombard** in Marseilles, asking them to mediate contacts for him to Defferre and the government. This apparently strange behavior for an RPR faithful was certainly explicable within the rules of the game in Marseilles and Corsica. This evidence was contained in tapes found on Francisci after the murder. Following seizure of the tapes by the Brigade Criminelle, they were passed on to a Judge Joly, who proceeded to a search of both Dumas's and Lombard's offices in Marseilles. Dumas, a long-standing friend and associate of François Mitterrand, is now a Socialist Party Deputy, while Lombard is a close friend of Defferre. Although Joly is not known for his sympathy to the regime, he let it be known that further evidence was found in Lombard's office on Francisci's penultimate contacts with the Socialists.

6) Last summer the left-leaning Marseilles **Judge Michel** was assassinated. Revelations at the time indicated that Michel was working in close liaison with Italian judges responsible for the recent successes in the fight against terrorism and the dope Mafia. Michel was working on breaking down the Marseilles-Corsican side of the heroin connection, which has its Sicilian counterpart. Recently, Minister Defferre affirmed that Marseilles had nothing to do with the entire matter, while the police contended the contrary. It is worth noting here that the aforementioned Police Commissioner Lu-

cien Aimé Blanc had trained Judge Michel. Recent police leaks indicate that the **Zampas**, a Mafia family working both the Italian and French sides of the heroin trade, commissioned the murder.

7) In early March, the head of the Marseilles social security fund committed suicide after being subjected to fierce attack by the government and labor unions. The man, Lucet, was a known sympathizer if not a member of the **Service Action Civique (SAC)**, the extreme right-wing paramilitary organization whose head is a member of the RPR.

8) Lastly, the RPR and other opposition parties revealed major electoral frauds committed over the past years by the Socialists in the city of Marseilles. This led to threats and counter-threats, including a now-famous warning by Defferre that if the RPR continued its investigations, he would reciprocate in Paris which could implicate Jacques Chirac.

Internal warfare

The purges of the Paris police are thus part of a much broader pattern of intensifying internal warfare, most of it quite covert. While internal “police wars” (la guerre des police) continuously troubled Presidents de Gaulle, Pompidou, and Giscard, the essential homogeneity of the Paris police leadership kept conflict within definite limits. The Socialist victory and, perhaps even more important, the appointment of Defferre as Interior Minister, has set a match to a barrel of powder. The purging of the most senior police officers, the dismantling of the anti-dope Mafia leadership, and the reorganization of the secret services has become a much more violent process than Jimmy Carter's blinding of the U.S. intelligence community in 1977.

Some analysts have suggested that the basic line of division today in this underground game is between the SAC and Defferre. Although it is the RPR which defeated Valéry Giscard d'Estaing and were tactically allied to the Socialists in doing that, RPR leaders like **Charles Pasqua**, a Corsican who is known for using underhanded methods, are now speaking of “an incubating civil war in France.” The days of tactical alliances have gone.

More than ever the Socialist government is leading France towards increasing chaos and division. The Socialist-Communist coalition government is torn from within in two directions: one within the Socialist Party itself and secondly between Communists and Socialists.

Leading government officials in private admit that soon they will be forced to resort to thoroughgoing austerity. The international economic crisis will only make things worse and will force a major crisis between Communists and Socialists.

The present crisis in the French national police is but the first act of a widening national crisis.

Yigal Laviv targets the Israeli Mafia

Israeli journalist Yigal Laviv, a well-known investigator of the Mafia in Israel, is now probing the attempt by Israeli collaborators of American mobster Meyer Lansky to take over the state of Israel.

It is the underworld that stands behind Defense Minister Ariel Sharon's efforts to wrest power from ailing Prime Minister Menachem Begin. According to Israeli intelligence sources, Sharon is owned and controlled by Meshulam Riklis, the Israeli-American head of the Rapid-American Corporation who is reputed to be tied into the Lansky crime combine.

Over the past decade, Laviv has authored numerous books on the Israeli Mafia, providing much of the source material for the 1980 French-language exposé *The Israeli Connection* by Jacques Derogy.

Because of his revelations, Laviv has received death threats from Israeli crime circles. In late February he was arraigned on spurious charges of extortion trumped up by the Israeli Mafia. Several organized crime bosses, including the notorious Samuel Flatto-Sharon, who evaded extradition to his native France several years ago by buying himself a seat in the Israeli Knesset, are implicated in the operation to silence Laviv.

In 1972, charges of extortion were brought against Laviv by underworld figures in Israel, but the charges did not hold up and he was acquitted. In 1973, the Israeli Supreme Court upheld the decision.

In an interview with *EIR*'s Wiesbaden correspondents Mark Burdman and Philip Golub, Laviv indicated that the campaign against him is being waged by people deeply involved in the international drug trade. Evidence for this, Laviv states, comes partly from Federal Bureau of Investigation documents on Israeli Mafia drug-trafficking into the United States from South America, documents that Laviv himself has seen but that have been suppressed from public purview in America.

Laviv is editor of the Israeli monthly *One Hundred—Police News*. He is former columnist for the newspaper *Haolam Ha'zeh*, and former economics reporter for the

Israeli daily *Haaretz*.

Portions of the *EIR* interview with Laviv appear below.

EIR: Mr. Laviv, *EIR* has been very active in attacking some of the same people in the Israeli Mafia that you yourself have been going after. You recently have had some problems with the Mafia in Israel, around a frame-up arrest you've been faced with. We have heard that as many as 12 Mafia groups may be involved in the operation against you.

Laviv: The 12 are not all involved—only four or five of them are. They have gone to the police with false charges against me and have been trying to get me arrested. All these men are partners of and affiliated with the famous 11 Mafia groups of Israel. These 11 groups have been known to the police for four to five years, and are the leaders of organized crime in Israel.

EIR: Do you think that these Mafia groups are involved in the international drug trade?

Laviv: Yes, definitely. They are involved in smuggling heroin, marijuana, and hashish, and then transporting it from Israel and the Middle East into the United States.

EIR: Is your life endangered? Is the Mafia threatening your life?

Laviv: They tried in the past, and they also sent me messages two weeks ago that I shall be dead in one month.

EIR: Could you tell us some of the names of the Mafia groups going against you?

Laviv: One of the main people involved is Bezael Mizrahi. There are two affiliated with him—Tuvia Oshri and Rahamin Aharoni. There is also a guy named Munia Shapira, who is also mentioned by the police in the 11 groups. Now there is also another guy, who was not mentioned in the 11 groups, because in those days no one knew about him. He's linked to construction, to the building business. His name is Shalom Genish. He's the partner of Mizrahi in the construction business; they're involved in hotels.

EIR: We understand that Sharon is presently attempting to seize power over the government in Israel, a move that would lead to a major conflict with the Arab world.

Laviv: I think yes, because he wants to conquer all of Lebanon. Sharon wants to make a war in Lebanon and force Egypt to cut the peace agreement with Israel before Israel gives back Sinai.

EIR: Do you think there is a possibility of a cold coup d'état by Sharon?

Laviv: Not as long as Mr. Begin is alive.

Obstacles to Brazil's export push mean investment cuts, devaluation pressure

by Mark Sonnenblick

Brazil's plans for staging an economic recovery this year from last year's recessionary disaster are threatened by the collapse of world trade. An aggravation of Brazil's crisis could lead to drastic economic and political shake-ups in that nation.

Brazil's hopes are contingent upon raising its exports from \$23.5 billion last year to \$27-28 billion this year, an increase of 15 to 19 percent. However, during the first two months, exports were *down* 7.2 percent in value. The quantities shipped did not fall nearly that much, but prices of coffee, soy, and other commodities are falling as "demand"—the ability to pay—collapses worldwide.

Brazil managed to boost exports by 15 to 20 percent annually during the early years of the world recession by means of hefty export subsidies which made its quality manufactures a bargain. (See *EIR*, Nov. 3, 1981.) Aggressive marketing conquered Third World and East bloc markets. Now, the South American and West African countries which snapped up Brazilian cars and other products can no longer afford such imports.

The Brazilian authorities have had to slash imports to compensate for shortfalls in exports under the terms of an informal agreement they worked out with teeth-grashing Eurodollar lenders. The agreement is that Brazil will be given the right to borrow the \$17 billion needed for each year's debt service only so long as Brazil generates a trade surplus. Thus, Brazilian authorities cut out \$2 billion of imports during the last months of 1981 to achieve a surplus. Stockpiles of inputs needed for industry and agriculture have run out. But, during the first two months of this year, imports were down by 16.8 percent from the same period last year; non-petroleum imports were repressed by a whopping 23.5 percent.

Devaluation pressures

Brazilian policy makers are still willing to impose whatever sacrifices of internal consumption and investment are needed to spend billions subsidizing exports. But the United States and other trading partners are

increasingly using GATT prohibitions of subsidies as a bludgeon against Brazil's entire dirigistic system of economic management.

If its export subsidies are banned, Brazil will be forced into a shock devaluation such as the one imposed by Finance Minister Mario Simonsen in a December 1979 deal with Carter aides Michael Blumenthal and C. Fred Bergsten. Simonsen promised to end export subsidies. Now on the board of Citibank (to whom Brazil owes \$5 billion), Simonsen is still united with Blumenthal and Bergsten in the new Institute for International Economics (see page 8).

Unlike the "free market model" of Chile, Brazil has not frozen its exchange rate—it couldn't, with its 88 percent inflation. Instead, Brazil devalues by about 2 percent every week or so at a rate equal to inflation. However, since about the time of Henry Kissinger's November trip to Brazil, the black market cruzeiro has cheapened much faster than the official one. The spread between the two rates reached a record 42 percent on March 11.

This rise is being publicized to promote the capital flight and speculation which precedes—and compels—major devaluations, such as the recent ones in Argentina, Mexico, and Ecuador. Some importers argue that the dual exchange rate is causing a flood of contraband imports which cannot be stopped through law enforcement, but through making the criminal exchange rate legal.

Assault on development projects

Brazil's export officials admit that exports will fall \$1.7 billion below programmed levels during the first quarter and achieve 1982 goals only with a dramatic, and highly improbable, upturn in the world economy. The creditors to whom Brazil owes over \$70 billion (in gross long- and short-term debt) will not tolerate any failure to meet balance of payments commitments made to them by Brazil's managers.

The liberalizing faction within the Brazilian regime desires to reflate the economy to reduce record unemployment and calm the voters before the crucial November elections. They understand that military hardliners will not permit elections leading to a landslide repudiation of Brazil's 1964 Revolution. The ratchet collapse of world trade and credit, however, not only rules out any improvement, but poses Brazil's rulers with the thorny problem of how to hold off murderous additional cuts in Brazilian living standards until after the elections presumably bolster the government's political flank.

In the meantime, Brazil's strategists are trying to appease their creditors by triaging the investment programs which were designed to transform Brazil into an advanced industrial power by the end of the century. Most of these projects were formulated with a careful eye towards improving Brazil's future debt servicing abilities; but they require heavy investments. One study by the left-nationalist thinktank IBASE complains that the 33 big "impact projects" now programmed mean a \$230 billion investment over the next 4 to 16 years. That cost becomes 41 percent greater if interest payments are counted.

Brazil is now systematically ditching the projects on which its future depends—as a sign of "good faith" to the Eurodollar bankers. As predicted in *EIR* Feb. 9, electrical energy infrastructure was the first to go. The resolution of the conflict between the "dam-builder" and the pro-nuclear factions was announced by Energy Minister Cesar Cals on March 3: "Both sides lost." The revised *Plan for Meeting Electrical Energy Requirements in the Year 2000* reschedules all electrical projects to cut growth of capacity from 12 percent to 6.2 percent. Although Brazil is starting with a third of U.S. per capita capacity, 11 dams are being delayed. Those underway will be completed an average of two years late; those not started will begin four years late. Even installation of generators on the world's largest dam, the 12.6 million kilowatt Itaipu, will be slowed down. Coal pit-mouth plants will also be delayed.

Only two of the nuclear plants ordered from West Germany are now scheduled to be on line in 1990, rather than the eight contracted for that date in the 1975 nuclear agreement.

If the investment cuts are billed as postponements rather than cancelations, it is because of the unique system of refinancing Brazil's debt burden which has been perfected by Brazil's Planning Minister Antônio Delfim Netto. Delfim arranges jumbo loan packages from each of the many countries he visits, in which Brazil agrees to buy equipment from suppliers of that country for specified projects, in return for that nation's government and bankers providing Brazil with debt roll-over lending equal to three or four times the project value. Thus, Brazil has already committed itself on most

of the future projects. Order books of industries throughout the developed world will shrink as Brazil is forced to let them go.

The halved electrical growth rate suggests that plans for the remainder of the economy are being revised. Coal and alcohol targets for 1985 have also been lowered, but still may not be reached.

Private sector investment has almost disappeared, thanks to the interest rates which are part of the Volcker-style deflationary package. If one gasps upon hearing that Brazilian inflation has finally fallen to below 100 percent, how does one react to hearing that commercial paper pays 260 percent? Consumer credit costs over 300 percent. Many companies survived the 14 percent industrial production drop last year only by handing increasing portions of their equities over to government development banks which provided some subsidized credit. These banks, however, are subject to control by the World Bank, which has well-formulated plans for collapsing one industrial sector after another.

World Bank orders Maoism

World Bank President Clausen spent mid-March inspecting his biggest debtor, from the new pole of the South American cocaine traffic at Manaus to the yacht of bankrupt oligarch Ermelino Matarazzo in Guanabara Bay. Clausen told reporters March 11, "The international perspectives suggest low growth rates in the world economy, inflation, high interest rates, and high unemployment. But, if you just look at what Brazil has accomplished in this pessimistic environment—paying \$9 billion in interest on its foreign debt and lowering inflation—then you have got to give credit to its economic managers." Clausen indicated that the "graduation" of Brazil from eligibility for World Bank loans threatened by U.S. Treasury Secretary Donald Regan at Cancún would be held in abeyance so long as Brazil's managers continue following its owners' dictates. He praised them for reducing subsidies to agriculture and industry and for raising energy prices so as to reduce consumption. He supported Brazil's draining export drive.

But, most importantly, he mandated that "Brazil must dedicate itself to the sectors where it is possible to obtain comparative advantage: hydroelectricity and labor-intensive agriculture." Clausen stated that Brazil's debt could be paid with proper management of "the great potentials of the country, especially its human resources." His one complaint was that Brazil's leaders have been politically unwilling to abolish the cost-of-living indexing system which currently shelters the workers who earn the minimum wage of roughly \$100 per month from the rapid wage erosion already suffered by skilled workers and professionals, who are terrorized by the spectre of unemployment.

Problems and potentials: an eyewitness in Bangladesh

by Paul Zykofsky from Dacca

Ever since Henry Kissinger referred to Bangladesh as a “basket case,” in the early 1970s, this South Asian nation has been commonly cited as an example of a country that will have to reduce its population if it wishes to survive. This is invariably the argument put forth by the neo-Malthusians responsible for the Global 2000 documents. Last year the London *Daily Telegraph* went so far as to argue that Bangladesh should be “peopled by less than one-tenth of its present population.” That such population-reduction levels can only be achieved through famine, war and pestilence—i.e., genocide—is left unsaid.

Yet despite Bangladesh’s population of 92 million and one of the highest population densities in the world, the Malthusian argument that its population growth must outstrip food production is exposed as a blatant fraud. At present Bangladesh can produce 15 million tons of food grains per year—just short of the amount needed to feed its population. But Bangladesh has enormous agricultural potential. Situated at the mouth of the Ganges, Brahmaputra, and Meghna rivers, four-fifths of the land in Bangladesh is arable and can be cultivated year-round. With the proper irrigation projects and fertilizer inputs, Bangladesh could produce an estimated 60 million tons of food grain, becoming a major world food producer and exporter.

At present, however, as this correspondent found during a recent nine-day visit to Dacca, the deterioration in the Western economies, on which Bangladesh is still largely dependent for aid, combined with a bad harvest this year, are threatening the country with famine and conditions of severe austerity (see page 46).

Though Vice-President Abdus Sattar was elected to the presidency by a large majority in November elections, he has failed to stabilize the situation, and there are growing rumors that the already powerful armed forces will take power and plunge Bangladesh into another

round of the coups and countercoups which have proliferated since it achieved independence in 1971 (see box).

As in 1971, when Bangladesh’s struggle for independence from Pakistan led to a massive influx of refugees into neighboring India, confrontation between the United States and the Soviet Union, and to war between India and Pakistan, a crisis in Bangladesh today could well lead to a broader strategic conflict. U.S. plans to provide arms to the Ziaul Haq dictatorship in Pakistan have already led to increased tensions with India. In this context observers in India are only too well aware of the strategy voiced by Henry Kissinger in 1971: using an influx of refugees from upheaval in Bangladesh to “bleed India.” Already the ascendance in Bangladesh of Islamic fundamentalist strata with known pro-Pakistani sentiments, combined with moves towards a military government, not only is leading to greater strife within Bangladesh but will aggravate relations with India.

Roots of the crisis

During the 1980s Bangladesh’s relations with neighboring India were, though strained, not bitter. After present Indian Prime Minister Mrs. Gandhi assumed office in January, 1980, Bangladesh President Ziaur Rahman visited India. Although Bangladesh and India continued to disagree on most issues, the internal situation within Bangladesh remained stable under President Ziaur Rahman.

This crisis can be traced back to the assassination of President Ziaur Rahman last May, presumably by disgruntled elements of the army led by Major-General Manzoor. The subsequent assassination of Manzoor and other officers of the Chittagong garrison under his command has obscured what was involved in the attempted coup. However, since then the Army Chief of Staff, General H. M. Ershad has emerged as one of the

most powerful figures in Bangladesh. Ershad is credited with having convinced the ailing 76-year-old Sattar to take the reins of power and to run as the candidate for President of the ruling Bangladesh Nationalist Party (BNP), the party established by Ziaur Rahman. After the elections Ershad staked his claim to power by demanding the establishment of a "National Security Council" with the three military chiefs, the President, Vice-President, and Prime Minister which would function as a civilian-military "super-cabinet."

Sattar, apparently still in the flush of his electoral victory, rejected this demand and instead constituted a National Security Council with three military and six civilian members. His rejection of General Ershad's demands created a rift between the civilian government and the military and led to widespread rumors of a military coup in early February.

President Sattar's problems have been compounded by his inability to keep the BNP united. Founded by General Ziaur Rahman in 1978 to build up his political base and "civilianize" his regime, the BNP is a heterogeneous party with factions recruited from other parties. While Zia's strong rule was able to keep a balance among the various groups in the BNP, Sattar has relied primarily on a right-wing faction led by Prime Minister Shah Azizur Rahman for his base of support. Shah Azizur was part of the small group of Bangladeshi politicians who opposed the independence of Bangladesh in 1971, and he and his allies are identified with the Islamic fundamentalists in the Jamaate Islami.

As a result, about 70 of the BNP's total of 206 Members of Parliament have openly broken with Sattar. One dissident leader I met bitterly criticized Sattar for having undermined the BNP's own base of popular support by relying on the Shah Azizur group. "Though I think we should accommodate some of the small minority of misguided elements who opposed Bangladesh's liberation, Sattar is discrediting the BNP," he noted. "The people don't like collaborationists [those who collaborated with Pakistan against Bangladesh's independence—P.Z.] to be running the government."

Others discounted the role of the BNP dissidents. "They are a bunch of opportunists who are upset over Sattar's refusal to include them in his cabinet," an Asian diplomat in Dacca told me. At the same time there are reports that the dissidents are being egged on by the armed forces, who are using them as leverage to force Sattar to yield to their demands for a greater share of power. This view was strengthened when General Ershad, in a series of statements after the election, attacked the government for including "anti-liberation" elements, i.e., the Shah Azizur faction of the BNP.

However, in early February Sattar yielded to some of these pressures by quietly restructuring the National Security Council, as demanded by the armed forces, and

A political profile of Bangladesh

For almost two centuries the area encompassed by what is now Bangladesh was looted extensively by the British East India Company—the employer of Thomas Malthus—and its successor, the British Empire. Simultaneously the land-tenure structure and all native industries were destroyed. To prevent the well-developed weaving industry—which produced the world-famous Dacca muslin—from competing with English textiles, the British resorted to a simple measure: they broke the hands of the Dacca weavers.

At the time of independence from Britain in 1947, the area that is now Bangladesh was partitioned off from India on the basis of its majority Muslim population, and became East Pakistan, the poorest of Pakistan's provinces and over 1,000 miles from the seat of government in West Pakistan.

Economic exploitation by West Pakistan and efforts to impose Urdu as the major language on the Bengali-speaking population led to a movement for the autonomy of East Pakistan. When in 1971 the military rulers in West Pakistan responded with a campaign of systematic slaughter, East Pakistan launched a liberation struggle which a few months later culminated in the establishment of an independent, secular Bangladesh with the support of India and the Soviet Union. Under Henry Kissinger's direction the United States sided with the Pakistani military rulers and their allies in Peking.

Since 1971 Bangladesh has led a troubled existence with numerous coups and counter-coups, especially after 1975 when independence leader Sheikh Mujibur Rahman and most of his family were brutally assassinated in a coup led by a small group of army officers. In the aftermath of the assassination of Mujib, General Ziaur Rahman, then Army Chief of Staff, assumed control and was able to maintain political stability in the years that followed by ruthlessly putting down subsequent military uprisings, eliminating potential opponents, and suppressing political activity.

A gradual process of "democratization" was introduced in 1979 but the relative stability achieved under Ziaur Rahman was shattered last May when he was assassinated.

by reshuffling his cabinet. While the Shah Azizur group retained its control in the new cabinet, there are reports that Sattar promised the dissidents that they would receive concessions later on. In meeting the demands of the military it is generally believed that President Sattar has bought some time; however, he has also exposed his government's weakness, and it remains to be seen how long the armed forces will be willing to stay behind the scenes.

The Awami League

Any moves by the armed forces will have to take into consideration the growing popular strength of the Awami League, the party founded by independence leader and first Prime Minister Sheikh Mujibur Rahman. After languishing under repression following the military coup against Mujib in 1975, the Awami emerged as the sole major opposition party in the November 1981 elections, and some of its leaders claim that, had it not been for vote fraud, it might have won. In a discussion with this correspondent the Awami's presidential candidate in the November elections, Kamal Hossain, noted that despite all of the Awami League's handicaps during the elections and the fact that they were pitted against state power, "we have been overwhelmed by the response of the population."

However, the Awami League has also suffered from factionalization between the right- and left-wing sections of the party. In an effort to keep the party together, Sheikh Mujib's daughter, Hasina Wajed, was prevailed upon to return from self-imposed exile in India to assume the Presidentship of the Awami a few months before the assassination of Ziaur Rahman. However, Mrs. Wajed has apparently been unable to stay above the various factions, and there are new reports of strife within the party.

Several members of the Awami League also expressed to me their concern over the growing strength of Islamic fundamentalism, inside the military as well as outside. The fundamentalists are primarily grouped in the Jamaate Islami, the equivalent on the Indian subcontinent of the Muslim Brotherhood which brought Khomeini to power in Iran. Although Bangladesh was established as a secular nation, the Jamaate is reported to have the support of approximately 20 percent of the population. In an effort to obtain financial assistance from Arab countries, Ziaur Rahman promoted greater "Islamization" of the country—a move which allowed the Jamaate to increase its strength. At present the Jamaate is training its young cadre, recruited from colleges with lavish gifts, along paramilitary lines. The Jamaate has reportedly built up its strength with extensive financial support from Saudi Arabian sources and is considered one of the best organized, most homogeneous forces in the country.

Interview



Farm Minister: 'We can quadruple agricultural output'

In the following interview Agriculture Minister Dr. Fasihuddin Mahtab discusses the short- and long-term outlook for food production in Bangladesh as well as some of the overall difficulties the economy is facing. The 46-year-old Dr. Mahtab, who holds a Ph.D. in mechanical engineering, was the founder-director of a private engineering and consulting firm before he joined the government. In 1977 he was appointed Deputy Adviser to President Ziaur Rahman in charge of Agriculture and in April 1979 became Minister for Planning. He returned to the Agriculture Ministry in November 1981.

In late February, soon after this interview was conducted by EIR correspondent Paul Zykofofsky in Dacca, Dr. Mahtab was shifted to head up the Finance Ministry.

At the time this interview took place, appeals for emergency grains had gone out to traditional aid donors; even the World Bank urged speeded-up shipments of at least a half million tons of grains. As of early February, government officials expected the donors to come through, although they had few firm commitments.

Zykofofsky: What is the outlook for food production this year?

Mahtab: As you know we have three main seasons. Within the financial year (which starts in July) the first season is *aus* (harvested in July and August) and this year there were some pest attacks which resulted in a shortfall of 200,000 tons. Because of drought the second season, *aman* (the main crop harvested from October to January), also fell short of our target and wheat production was also affected. But *boro* (harvested in May and June), which is the last crop, so far looks quite promising.

Our original target for production was 16.2 million tons. At present estimate, we will reach about 14.3 to 14.5 metric tons this year, as against last year's production of 14.6 metric tons. So basically, due to the drought, we are losing the extra production we wanted. The target for 1984-85 set in our mid-term food production plan is 20 million tons. Assuming that in abnormal conditions we will lose about 2 metric tons, as occurred this year, for example, we will still get a minimum of 18 metric tons—which will make us self-sufficient in food production.

Our greatest problem in the medium term is the almost total dependence on the weather due to lack of irrigation facilities. In the past, most of our irrigation effort was on the flood control side rather than on the irrigation side, so we took up major projects, big projects and these have got a long gestation period and are very highly capital-intensive. Though ultimately that *is* the solution—because the recurring cost is less—in the short and medium term we have had to change our strategy.

Now we are concentrating on more minor irrigation projects using pumps and tube wells of two types: deep tube wells where the groundwater is too deep, and shallow tube wells with small centrifugal pumps and also some hand tube wells. These projects are basically using surface and groundwater and will contribute about 80 percent of the additional land we are bringing under irrigation.

But there are other projects being carried out by the Ministry of Flood Control and Irrigation which are large projects. Some are already underway and we have to complete them, although at this moment we are forced to move more slowly due to resource constraints. But nevertheless, by 1984-85 we hope to increase total irrigated land from the current 3.6 million acres to 7.2 million.

We could do more if we could overcome the resource constraints we face. We have tremendous resource constraints. But we are trying to protect some of these programs; although at times it is very, very difficult.

For example, we need to have a very big program next year—which should be bigger than this year's—and for that we have to invest now. But I am finding it difficult to mobilize the funds. This year, for example, our development funds were cut substantially.

Zykofsky: Is there any way to overcome these resource constraints?

Mahtab: There is a certain scope for improving our own resource mobilization, like reducing subsidies. That also has its limitations. For example, we are reducing subsidies on fertilizer and other inputs for agriculture. But at the same time you have to look at the capabilities of the farmer. And there is a limit after which you have to go slowly, otherwise this will create disincentives. It is not enough to produce more, it also has to be at levels where it is within the purchasing power of the people. So there is a limit to the reduction of subsidies as far as agriculture is concerned.

Another thing which is hurting us very much is our trade situation. You see, this year, in spite of increased exports, the money we've earned from exports is reduced because of the fall in the price of jute and of other commodities, most of them agricultural products. As a result our exports in dollar terms will be less than last year. Our exports last year were about \$725 million; this year they will be about \$650 million.

At the same time, our import requirements are about \$2.7 billion; because of the shortage of funds we have cut them down to \$2.4 billion. And that is naturally going to affect not only our various projects, but also industry and productivity of certain industries.

Zykofsky: What is your estimate of Bangladesh's food production potential?

Mahtab: As far as the potential of this country is concerned, one estimate made in the early 1970s by the World Bank—a famous, nine-volume report in which they did the land-use planning, water availability, irrigation potential, and all that—was that this country could produce, with proper irrigation and drainage, four times what we were producing at that time [approximately 10 million tons]. But at that time there were not many high-yield varieties. Now the technology has developed, and I think it is still valid to say that we can produce four times the present level of production of 15 million tons, that is to say some 60 million tons.

Our land needs irrigation. If you can provide irrigation you can grow three crops instead of just one in many areas. There are certain areas where there are two crops, but in many areas we are producing only one crop. As soon as farmers get irrigation they can go for high-yield varieties which will increase the yields tremendously. In addition to that, as the cropping intensity increases, employment increases.

I did a study a few years back. In this study, we found that when yields increased due to irrigation, employment also increased from 90 man-days per acre to 360. The interesting part is that while the increase in family labor is nearly double, the increase in hired labor goes up by about eight times. Given that 40 to 50 percent of our rural population consists of landless labor, this is also very important.

Financial constraints hit urgent investment

by Paul Zykofsky

Aside from a few small factories on the outskirts of Dacca, the capital, the entire country of Bangladesh is a vast stretch of green fields—mostly paddy fields—interrupted by occasional large rivers, irrigation canals, and small groves of trees where villages are located.

Agriculture is indeed the mainstay of the Bangladeshi economy, accounting for 55 percent of Gross Domestic Product and employing approximately three-fourths of the total labor force. Eighty-five percent of the population still lives in the rural sector.

However, Bangladesh's agricultural potential is still far from being realized. At present approximately 15 million tons of food grains, primarily rice and an increasing amount of wheat, are grown every year. But the yields per acre, which average half a ton, are among the lowest in the world. The reasons are straightforward: lack of proper irrigation facilities and fertilizer.

While abundant rain falls on Bangladesh and flows through its numerous rivers, including the Ganges, Brahmaputra, and Meghna rivers—estimated to total over one billion acre feet—the flow is concentrated in the monsoon period. Half the year is virtually dry. Only by building water storage facilities and increasing electrical capacity for pumping groundwater can this problem be overcome.

At present, out of a total cultivated land area of 22.4 million acres, irrigation capacity is about 4.5 million acres and reportedly only about 3 million acres are actually irrigated. Furthermore, with installed power capacity in the country at a low 750 megawatts, only 7 percent is used for irrigation based on groundwater pumping. In areas where irrigation facilities have been improved, as in the eastern Comilla district I visited, yields have increased rapidly to close to 3 tons per acre and employment has also increased substantially, given the capability to grow 2 to 3 crops per year.

The precarious nature of Bangladesh's food production, however, is shown by the situation this year. After achieving record food grain production of 15 million tons during fiscal 1980-81, the government had set a target of 16.2 million tons for 1981-82. However, due to pest attacks and drought, food grain production this

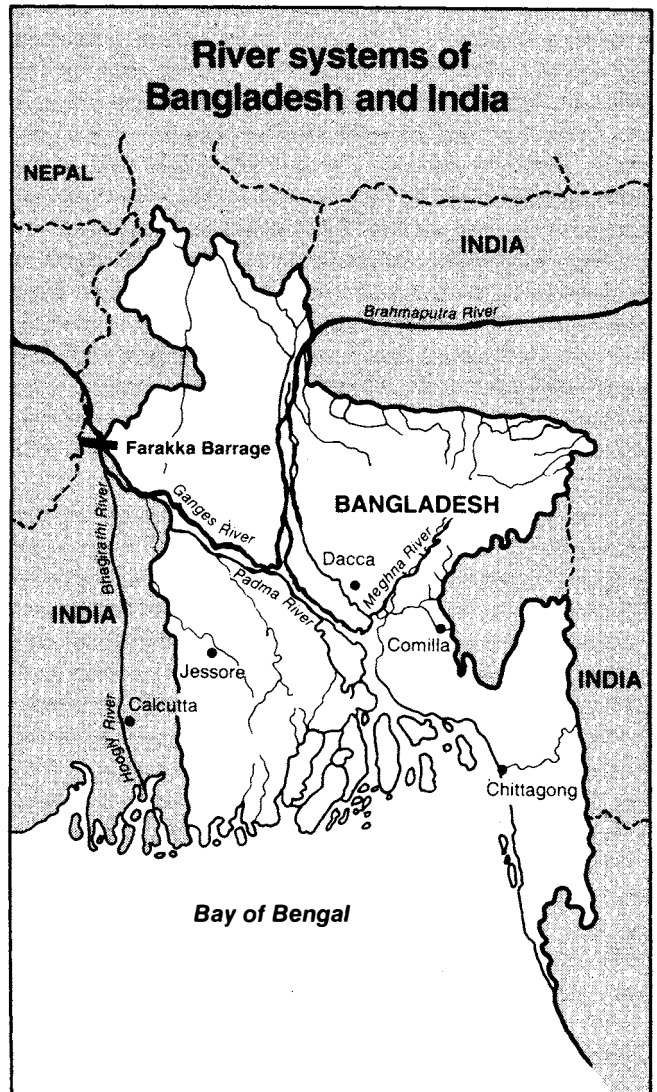
year is expected to reach only 14.5 million tons. The resulting shortfall of 2.1 million tons will have to be filled with food stocks and imports if Bangladesh is to avert a famine.

Growing rumors of possible food shortages, spurred by a 100 percent increase in the price of rice during January, compelled the Food Minister to issue a statement in early February assuring the country that food needs would be met.

According to government figures the 2.1 million-ton shortfall will be met from stocks of 1.23 million tons and food aid of 1.1 million tons. However, some observers report that food stocks are in fact only 0.8 million tons and that aid disbursements may be lower—in which case famine will result in some areas.

Resource constraints

Bangladesh exemplifies the way in which the deep-



ening crisis in the international economy leads to genocidal conditions in the developing nations. Aside from the danger of food shortages, Bangladesh, which relies on foreign grants and loans for 64 percent of its development budget, is being severely affected by the drying up of aid monies and by the collapse of markets for its exports.

The International Monetary Fund was the first to put the squeeze on Bangladesh. Last July it stopped disbursement on a three-year \$936 million dollar (800 million Special Drawing Rights) loan from the Extended Fund Facility because of increased government spending and the continuation of various commodity subsidies, primarily on food and fertilizers. Only \$270 million had been disbursed when the loan was cut off and no progress seems to have been made following negotiations with an IMF delegation which visited Bangladesh in November 1981. Because of the loan cutoff Bangladesh was forced to borrow \$200 million on the international money markets at commercial interest rates of 15-16 percent instead of the 3 percent charged by the IMF, and further commercial borrowings are expected.

The situation has been compounded by a slowing down in the disbursement of foreign aid due to the general deterioration in the aid climate. While the government had expected to receive \$1.7 billion in foreign grants and loans—compared to \$1.3 billion last year—this amount has not materialized. The slowing down of foreign aid used to finance basic imports has in turn lowered government revenues, 70 percent of which are generated from customs duties, excise taxes, and other revenues associated with foreign trade.

Government revenues have also been affected by the collapse in the international price of, and demand for, Bangladesh's largest export item—raw jute and jute products (used for carpet backing and sacking), which account for close to 70 percent of total exports. In 1981, for example, the average unit price of Bangladesh's exports declined by 13 percent. Simultaneously the average unit price of imports was up 19 percent, so that despite a marginal \$18 million dollar increase in Bangladesh's import bill to a total of \$2.55 billion, net imports sank.

As a result of all these resource constraints, the government has reportedly been forced to cut back this year's annual development program by about 10 percent. If the IMF does not resume disbursement of the \$936 million loan soon, the government may have to cut back even further.

In the longer term, government officials I spoke to outlined how the lack of financial resources had forced them to scale down many of their development plans. The original 1980-85 plan envisioned a 7 percent annual

rate of growth requiring \$17 billion dollars over the five-year period. But as a result of resource constraints, targets are being reduced by about 15 percent. In the crucial area of irrigation, officials noted that emphasis had shifted away from "more desirable" large projects toward small and medium ones. As a result the Five-Year Plan target of producing 20 million tons of food grain by 1985 will not be reached. Plans to augment installed power-generating capacity from the current 750 megawatts to 1,030 megawatts by 1985 have also been scaled down.

Natural gas resources

The discovery of large despoits of natural gas in the eastern part of the country can provide an impetus for Bangladesh's development. At present, gas reserves are estimated at 10 to 11 trillion cubic feet, although government officials indicate that this is a "rough and conservative" figure. Power stations east of the Brahmaputra River have been converted to use gas, but it will take some time before this energy source can be used in the western part of the country, because there is no bridge across this mighty river. Plans are under way to build gas-based power stations on the eastern bank of the Brahmaputra and transfer energy to the western part of the country with large high-voltage towers spanning the river. This will help reduce Bangladesh's dependence of foreign oil imports, which currently eat up 60 percent of export earnings.

Gas is also being used as a feedstock for fertilizer production, and three major foreign investment projects have been approved which will use gas in the production of urea fertilizer, methanol, and sponge iron.

Although at present industry only accounts for 8.4 percent of GDP, the government has tried to promote growth in this sector and to attract foreign investment. Most large industrial projects involve foreign partners or investors, primarily from the United States, Europe, and Japan. The five-year plan envisions industrial investment totaling \$1.32 billion, with foreign investment making up more than half of that. A foreign investors' forum held in Dacca in January with the help of UNIDO drew about 100 foreign businessmen from around the world.

However, the assassination of President Ziaur Rahman and the political instability which has followed it, have had an effect on foreign investors, and some projects have been postponed. A Japanese diplomat indicated to me that businessmen in Japan—which last year became the largest aid donor to Bangladesh—are watching the situation carefully and will suspend any major new investments until they are confident that there is a stable government in office which is committed to economic development.

Dispute with India stalls water program

by Paul Zykofsky

Water is the key to the development of Bangladesh's agricultural potential. While Bangladesh receives large amounts of water from rainfall—203 million acre feet—and 870 million acre feet through its rivers, most of it is concentrated in a few short months. During the monsoon period flooding of the rivers causes enormous damage, while during the rest of the year there is often shortage of water.

Because the land is mostly flat, there are no major natural sites for storing water to reduce the flood level during the monsoon season and save water for the dry season. The Bangladesh government hopes to build barrages on the Ganges and Brahmaputra rivers so as to divert water to the southwest and northeast regions, respectively. During the past few years, using labor-intensive methods, it has also embarked on a canal excavation and re-excavation program which has improved irrigation somewhat.

However, any lasting solution to the water problem will depend on a water-development scheme in collaboration with neighboring India, through which the major rivers flow before entering Bangladesh.

Disputes between the two countries over water utilization date back to the 1950s, when India first decided to build a barrage on the Ganges River at Farakka, 11 miles before it enters Bangladesh, to divert water into the Hooghly River so as to clear out the silt which accumulates in the river during the dry season and thus keep Calcutta's port open. A barrage is a low dam-like structure which creates a body of water that can be diverted into canals for both irrigation and navigation purposes. However, because it does not have the height of a conventional dam, it cannot be used to generate hydroelectric power.

When the Farakka barrage was completed in 1975, there existed an understanding that the two countries would reach an agreement on sharing water during the dry season before the barrage would be operated, since, as the 1974 joint declaration issued after meetings between the Prime Ministers of the two countries, Mujibur Rahman and Indira Gandhi, stated, "There might not be

enough water to meet the needs of Calcutta port and the full requirements of Bangladesh." Agreement was reached on trial operation of the barrage in April and May 1975, but India reportedly continued operating it beyond that; Bangladesh claimed that this caused a record low of water in the Ganges and created drought conditions during the lean season of 1975-76.

The issue was brought to the United Nations, and in November 1977 a five-year Ganges Waters Agreement was signed which fixed the share of water for the two countries during the lean season and called for finding a long-term method of augmenting the dry-season flow of the Ganges.

India's plan for achieving that calls for the transfer of 100,000 cubic feet per second of water from the Brahmaputra to the Ganges through a 209-mile long, half-mile-wide link canal, a third of which will pass through Bangladesh and join the Ganges at a point above Farakka in India. The 100,000 cubic feet per second drawn off from the Brahmaputra during the lean season would be compensated for by building two dams in the upper reaches of the river in India which would store monsoon waters to be released during the dry season. India also claims that the link canal would help reduce flooding in Bangladesh by lowering the water level during the monsoon season.

Bangladesh has meanwhile proposed the construction of storage dams in the upper regions of the Ganges in Nepal and India which will retain monsoon waters for release during the lean season. It claims that the dams will permit generation of 10,000 megawatts of electricity and augment dry-season flows by 180,000 cubic feet per second.

Bangladesh has officially rejected the link canal proposal as technically and economically unfeasible. It argues against constructing a canal running in a southwesterly direction which would cross a number of minor and major rivers flowing at right angles to the canal, since the canal would obstruct natural drainage of these rivers and aggravate flood problems in northern Bangladesh. The Dacca government also claims that it will force the relocation of large numbers of people in densely populated areas.

India, on the other hand, argues that the long-term solution rests in diverting water from the Brahmaputra, which otherwise goes to waste, since increased storage of monsoon waters on the Ganges in Nepal and India will be required to irrigate large parts of Eastern India. At present, only about 30 percent of the Ganges basin areas in India are irrigated.

The water dispute between India and Bangladesh has become a highly charged political issue in both countries, and it is unlikely to be resolved until past suspicions are overcome and a friendly working relationship is established between Delhi and Dacca.

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Muammar meets Bruno

The overweight Austrian Chancellor goes out on a limb to welcome Qaddafi to the Socialist International.

Israeli military intelligence was closely watching Col. Muammar Qaddafi's two-day visit to Austria on March 13-14, while, at the same time, keeping an eye on one of its own, that "Qaddafi of Israel," Gen. Ariel Sharon.

And many people are beginning to suspect that there is more than a coincidental relationship between Qaddafi and Sharon.

That Sharon and Qaddafi might be covert but witting political allies ought not to shock readers of this column. But useful evidence emerged during Qaddafi's visit to Vienna that might shed light on the "Sharon-Qaddafi connection."

First of all, it deserves special mention that Bruno Kreisky had the chutzpah to invite Qaddafi to strut and swagger in Vienna. Despite the fact that the international press has repeatedly documented that Qaddafi's government sponsors training camps for both left- and right-wing terrorists, the portly Austrian Chancellor intoned that *he* was unaware of any evidence that Qaddafi supports terrorists. Such a statement reflects either total incompetence on the part of the Austrian intelligence service, or, even more ominously, that elements in that agency are complicit in Qaddafi's activities.

Indeed, after sitting through Qaddafi calling President Reagan a "terrorist" and calling for the overthrow of the Saudi royal family,

Kreisky allowed that he would not object to the sale of Austrian arms to Libya's lunatic. And, less than 24 hours after the end of Qaddafi's Vienna escapade, Kreisky's fellow Socialist, French President François Mitterrand, announced that France was delivering ten sophisticated gunboats to Qaddafi, ending an arms embargo begun under President Giscard d'Estaing.

Kreisky also opened doors for Qaddafi in Malta, Greece, Italy, and other European states.

But the real shocker during the Qaddafi visit was the public tête-à-tête between the Libyan colonel and a gaggle of European terrorists, including the chief lawyer for the Baader-Meinhof gang and representatives of the Italian Red Brigades. At this strategy session, Qaddafi proclaimed himself *führer* of the European "peace movement."

Qaddafi's idea of peace? He suggested that these gentlemen of the terrorist underworld prepare for violent assaults against NATO facilities in Sicily! Qaddafi then hopped down to Malta for further talks along these lines.

Now, it is a well-known fact in Italy and elsewhere that Colonel Qaddafi was installed in Libya by the fascist Propaganda-2 lodge of Italian Freemasons. The P-2 lodge, exposed in 1981, is a gang of Swiss and Venetian bankers and insurance company executives who, along with British Petroleum and

Occidental Oil's KGB-linked Armand Hammer, backed Qaddafi's 1969 coup d'état. Given this connection, the Qaddafi focus on Sicily is not surprising.

In Italy, the P-2 lodge is associated with the Neapolitan Camorra and the Mafia of Sicily, the organized crime "families." For years, since the World War II days of Lucky Luciano and Vito Genovese's collaboration with NATO and U.S. Naval Intelligence, the Sicilian separatist movement (spelled: Mafia) has been a powerful force on that forsaken island. And, through the person of Socialist lawyer Michele Papa, the godfather who set up Billy Carter's ill-starred link to Qaddafi, the Libyan colonel has supported Sicilian "independence."

Now, in that cause, Qaddafi is lining up the finest European terrorists money can buy.

Enter Ariel Sharon. Today, the kingpin of the "Sicilian" mob—indeed, of all organized crime—is Miami's Meyer Lansky. Lansky, who has extensive links with the Israeli Mafia, helped to sponsor Defense Minister Sharon's uneven career by funding his activities. The conduit of Lansky dirty money to Sharon is Meshulam Riklis of the U.S.-based Rapid-American Corporation.

Inside Israel, of course, Kreisky's obsequious support for Qaddafi set off some alarms, for without any doubt some Israelis will die because of Kreisky's aid to Libya. But, among those Israeli military officers in the know, Sharon's shady associations with Qaddafi's friends Lansky and Riklis just as surely portend evil. And, of course, Sharon, close to home, is a more convenient target.

The PSD's business empire

Part II of our exposé: what every businessman should know about the Sintemex 'consulting' operation.

You can only burn a candle from both ends for so long before you get burned, and it looks like Mexico's Social Democrat Party (PSD) is proving the adage once again.

Probably the most important irony for businessmen in the activities of this most anomalous group is that, while pulling the strings of Mexican left terrorism and radical environmentalism (see Part I), the PSD runs one of the premier business consulting empires in Mexico.

Servicios Integrales de Mexico (Sintemex) was founded in 1973 as an offshoot of Acción Comunitaria, the political vehicle of Monterrey business leader Roberto Guajardo Suárez and a group of whiz-kid protégés, the brothers Sánchez Aguilar—Luis, Edgardo, Edmundo, and Ricardo.

The whole crew moved to Mexico City to do sensitive consulting work for government and private sector clients, in Mexico and abroad, from plush quarters on Avenida Escobedo. In 1979 the more directly political work changed labels—Acción Comunitaria became the PSD—but little was changed in terms of personnel. Luis Sánchez Aguilar became secretary-general of the PSD while continuing as president of Sintemex.

One of the cards Sintemex plays today is its access to inside government information. Few foreign businessmen are probably aware that when they provide internal

corporate information to Hector Alvarez de la Cadena, director of the Foreign Investments Office of the Industry Ministry (Sepafin), they are dealing with a man who was Vice-President of Acción Comunitaria in 1975 and remains part of the PSD inner circle today.

The other card Sintemex plays is its connections to the Harvard and MIT economics faculties, presumably through Edmundo Sánchez Aguilar who received his doctorate from Harvard. A dozen luminaries from these faculties appear among Sintemex's "international associates," including Nobel laureate and RAND product, Paul Samuelson, and DRI's Otto Eckstein.

It's not at all clear how many of Sintemex's business clients know they are dealing with an outfit which simultaneously gives direction to Mexico's terrorist and environmentalist left.

Nor is it clear how many on the left know what the PSD/Sintemex is up to in the world of big business. The PSD yelped in a recent anti-nuclear tirade in its leftist magazine *Di*, that Mexican groups supporting Mexico's far-reaching nuclear energy program were doing the dirty work of the "nuclear multinationals"—never mentioning that one of Sintemex's own principal foreign clients is a major nuclear supplier.

Most explosive of all for PSD-watchers is the fact, just unearthed

by *EIR* investigations, that two of Sintemex's closest collaborators come straight out of the U.S. State Department, and are linked to the networks which laid the basis for today's upheaval in Central America—an issue of vital to the national security of Mexico.

Charles Henry Lee started his State Department career helping adjust the Guatemala-Honduran border in the 1930s. He then passed to Nelson Rockefeller's staff in the Office of Coordinator of Latin American Affairs, stationed as deputy military attaché in Argentina during the crucial 1943-1945 years that the Rockefeller networks worked with Perón to find a haven for Nazis fleeing Europe.

In 1973, after a varied career with the State Department and, starting in 1958, with multinational corporations in Mexico, he became a founding partner of Sintemex.

From joint days in Argentina during the war, Lee drew on Charles Burrows to be Sintemex's Washington representative. A career foreign service officer, Burrows was ambassador from 1960-65 in the United Brands plantation known as Honduras—the same United Brands which has fomented the Central American bloodshed from "right" and "left."

As director of Central American Affairs back in the State Department from 1965-69, Burrows supervised the buildup toward the 1969 conflict between El Salvador and Honduras. The role of Lee and Burrows in Sintemex is now raising questions over the legality of the registration of the PSD as an official party. No Mexican party is allowed to serve foreign interests. Has the PSD stepped outside the bounds?

International Intelligence

Peking backs Third World against the West

Chinese Premier Zhao Ziyang, in a meeting in Peking this month with a minister from the West African country of Upper Volta, emphasized in his remarks an attack on the Western nation's policy toward the Third World. Only a few months ago Zhao would have highlighted "Soviet hegemonism" in such a meeting, but now in China's international diplomacy, as well as in its internal press articles, the Dengists in Peking are clearly communicating they have turned away from the "China Card."

"The present struggle of Third World countries is to strengthen unity and strive for the new international economic order," Zhao said, which he explained, "is a continuation of the struggles that various countries fought to win political independence in the 1950s."

China recently sent three economic experts to the Soviet Union to "study Soviet economic management methods," the first such delegation in almost 20 years. There is little speculation that these actions are a prelude to a re-creation of the original Sino-Soviet alliance, but they do mark a significant downgrading of China's previous anti-Soviet foreign policy.

Hussein: 'American interests in jeopardy'

King Hussein of Jordan warned in an interview March 18 in the *New York Times* that the Middle East is facing a new war and that American interests in the area are seriously threatened.

"We are passing through one of the most critical stages we have witnessed in our time," he said. "It is far more serious than it has ever been." He derided the failure of the United States to adopt an aggressive diplomatic strategy to compel Israel to get out of the occupied territories, saying that the U.S. role has eroded

"to the point where it has now adopted the role of postman, a carrier of messages."

"We are threatened by fragmentation," Hussein said. "We are fast reaching the point at which hope is lost. Would you like to see the entire area erupt, which could have a devastating effect on the rest of the world and possibly endanger world peace?"

He described Israel as "bellicose" and almost out of control, and noted that Israel is aiding Iran to undermine the Arab Gulf states and Iraq. "If Iraq falls there will be all sorts of dangers," said Hussein, who also criticized Syria for helping the Khomeini regime.

Soviet military visits India; message to U.S.?

Soviet Defense Minister Marshal Dimitri P. Ustinov led an unprecedentedly large, 40-member military delegation to India for a five-day visit which began March 15. New Delhi sources interpret the move as Moscow demonstrating to the United States and Pakistan its concern over U.S. arm supplies to Pakistan and providing Pakistan with military bases—which the Soviets have emphasized could lead to Pakistani "adventurism" toward India.

In addition to Ustinov, other high-ranking officials in the delegation included Naval Commander Admiral Gorshkov and the deputy chief of staff of the entire armed forces.

Contrary to U.S. press reports, the Soviet leaders, who met with Prime Minister Indira Gandhi and Defense Minister Venkatarama, supported the idea of India continuing dialogue with both Pakistan and China, according to New Delhi sources. The Soviets apparently believe this would give these nations a second option other than direct military collaboration with Washington.

The Soviet officials told Indian leaders that Moscow is prepared to make available new arms deals to match the Pakistani build-up, such as the latest T-

82 tanks and MIG jets. However, Delhi sources said India is not interested in new arms deals at this time.

Club of Rome routed at its Paris conference

The Club of Rome's two-day public conference in Paris March 10-11 ended as an embarrassment for its founder and chief ideologue, Aurelio Peccei, the man who claims that genocide 100 times worse than that carried out by Adolf Hitler, is a new form of humanism.

Peccei and his fellow Club of Rome leaders had designed the conference to co-op one of the remaining bastions of pro-industrial development forces in France, the engineering profession. But intervention by the European Labor Party (POE) and its collaborators within the French Right to Life movement undercut the Club's aims significantly and Club of Rome members were forced to publicly deny the Club's Malthusian policies.

A letter written in the name of Cambodian butcher Pol Pot politely thanking Peccei for the ideas that enabled Pol Pot to murder more than 3 million Cambodians in the late 1970s circulated among the 6,000 targeted engineering students. Forewarned, only 200 of the students showed up for the occasion.

Club of Rome leader André Danzin, head of the computer science department of UNESCO in Paris, claimed that the Club of Rome was being wrongly accused of being Malthusian, and that he himself was definitely pro-nuclear development—while standing on the podium next to Club founder Peccei. Peccei attempted to intervene, but did not succeed before Danzin continued to dissociate himself from the theories outlined in the Club-commissioned manual for its envisioned post-industrial society, *Limits to Growth*. "One must be realistic about the exponential population growth which must be relatively curbed," he said, and noted that he had not been a member of the organization when the document was published in 1972.

By the second day, Danzin dropped his arguments on population completely and tried to appeal to his audience, now less than 80 persons with an "anti-ecologist" advocacy of developing the Third World. He went so far as to label the membership of the Club's American organization as irresponsible environmentalists.

Sharon launches new crusade on West Bank

Israeli military authorities on the West Bank under Israeli Defense Minister Ariel Sharon and Col. Menachem Milson March 18 suspended and dissolved the municipal council of the city of El-Bireh, ousted the lawfully elected Mayor, and installed an Israeli army junta to run the town. It is the first time in 15 years of Israeli occupation that such an action has been taken.

In response, mayors of large West Bank cities, including Nablus, Bethlehem, Hebron, and Ramallah, joined a call for a general strike. Israel denounced the strike call and threatened to dissolve the municipal authorities throughout the territory.

The Israeli action against El-Bireh was taken after the town's Mayor refused to meet with Col. Milson, the Sharon-appointed West Bank Governor. Under Milson's direction, a crackdown on political and civil liberties has been launched that has driven thousands of West Bank Arabs out of the country.

In Lebanon, the PLO has issued a call to the United Nations Security Council for immediate action to stop Israel's escalation.

According to Israeli sources, Sharon is consolidating power in Israel—despite opposition to his extremism and reputed ties with organized crime—by establishing an alliance with Israeli Chief of Staff Rafael Eytan and Yehoshua Saguy, chief of military intelligence. Inside the Israeli armed forces, however, many generals are said to be working against the Defense Minister, and are seeking to have him ousted.

Last minute turn in Colombian elections

Congressional elections in Colombia March 14, which also served as a presidential primary, broke the mold of voter apathy which has characterized successive elections for years in that Latin American country. The majority of the seats were seized by the forces of "official" Liberal presidential candidate Alfonso López Michelsen—strongly backed by Colombia's drug Mafias. The politically critical capital city of Bogotá, however, was unexpectedly swept by the slate of dissident Liberal Party challenger Luis Carlos Galán.

Galán, the underdog going into the elections, adopted a populist campaign of attacking the mass corruption plaguing Colombian political life, and the drug problem. Toward the end of his campaign he mouthed the urgency of reversing the economic collapse. Though he did not win the election, the massive turnout in Bogotá for Galán on the basis of that program surprised everyone—including Galán's political forecasters.

López Michelson's winnings were centered, not surprisingly, along the Mafia-ridden Atlantic Coast, as well as in the provinces best known for growing the marijuana and coca whose illegal revenues lubricated the López electoral machine. The Conservative Party machine, unified for the first time in decades, tailed López's 2.1 million votes with 2 million of their own. The 650,000 votes garnered nationally by the Galán forces, insufficient to make Galán a serious presidential challenger, were significant not in numbers but as an indication of a changing political tide within the Colombian population.

Significantly, Cardinal Munoz Duque took the opportunity of Sunday Mass on election day to appeal to the Colombian electorate to vote against the "candidates of abortion and divorce." This public intervention by the powerful Catholic Church helped to define the election issue around the question of morality, inseparable from drugs.

Briefly

● **CLAUDE ALBERT** of the European Labor Party won 4 percent of the vote in a March 14 local election in the city of Hayagne, near Metz in France's industrial Lorraine region. Her campaign had become a focal point for local opposition to the European Community steel plan that has thrown thousands of Lorraine steelworkers out of work. Provided her Gaullist opponent takes up her program for the reindustrialization of the region, she has called on her 4 percent of the electorate to vote for the Gaullist candidate in the run-off election.

● **WEST GERMANY** politely told an American delegation visiting Bonn that it is not interested in U.S. proposals for new economic sanctions against the Soviet Union. The delegation, led by Under Secretary of State James Buckley, met with German officials on the first leg of its European tour to convince allies to further sever trade with the East. A spokesman for the German Foreign Ministry said the talks "were without any results or practical implications."

● **JAPAN'S** Prime Minister Suzuki charged the International Whaling Commission March 17 with trying to impose an "unscientific policy" with its proposed moratorium on the killing of whales. It has been scientifically proven that the world's whale population will increase, he said.

● **MICHAEL LEDEEN**, Alexander Haig's European affairs adviser made famous for his role in the neofascist "P-2" conspiracy, held a little-publicized meeting with West German Development Minister Rainer Offergeld March 10. Offergeld had stopped at Dulles airport in Washington on his way to Nicaragua to meet with Sandinista leaders. Ledeen reportedly showed Offergeld photographs purporting to show Soviet-style facilities in Nicaragua.

Vietnam war planners launch peace movement

by Lonnie Wolfe

During the month of March, the U.S. media suddenly uncovered a full-blown grass-roots American version of the European peace and anti-nuclear movement. But the new U.S. "peace" movement is neither spontaneous, nor does it have anything to do with peace.

Rather, what is being unleashed is a movement to bring down the Reagan administration, orchestrated by the very same institutions and individuals who created and ran the Vietnam War—and then deployed the "anti-war" movement to topple President Lyndon Johnson in 1968.

The centerpiece of the new peace movement is a proposal for a freeze on the deployment of nuclear weapons systems by both the United States and the Soviet Union. Most Americans had never heard of the proposal until the media blitz began following the introduction of a bi-partisan freeze resolution into Congress on March 11 by 130 Congressmen and Senators, including Senators Edward Kennedy (D-Mass.) and Mark Hatfield (R-Ore.).

Privately, the organizers of the freeze campaign say they don't *intend* Kennedy's resolution to pass. A spokesman for the Institute for Defense and Disarmament Studies (IDDS) near Boston, a leading thinktank and coordinating point for the freeze campaign, acknowledges that "We are out to oust the Reagan government, like the Germans [the peace movement in West Germany—ed.] are out to dump Schmidt," referring to the Chancellor, Mr. Reagan's friend and constructive critic.

And while the U.S. peace movement is not yet at the

point of staging riots such as those that have hit Western Europe, those days may not be far off. Plans are in the works for a mass rally in New York in June where organizers hope to have a quarter of a million people; they expect "some violent confrontations at the fringes."

As readers of this journal know, the plans for an American peace movement were announced at a December 1980 meeting of European and American Socialist International leaders in Washington. Their plan identified 1982 as the takeoff point for a movement capitalizing on Americans' growing anxiety about nuclear war and the economy. The same type of movement was to be created in 1981 in Europe and deployed against German Chancellor Helmut Schmidt.

A listing of the stringpullers of the freeze campaign reveals just how cynical is the game that Kennedy and his cohorts are playing. Among the signers of the call for the nuclear freeze resolution are such "peace lovers" as former Central Intelligence Agency Director **William Colby**, the man who headed the Operation Phoenix extermination program in Vietnam; **Henry Cabot Lodge**, John F. Kennedy's ambassador to South Vietnam during the early escalation phase of the war; **George Ball**, a man who has advocated the reduction of the Mexican population by half; and **Averell Harriman**, who shares with Ball the distinction of having been a U.S. Undersecretary of State in the Vietnam era. Dozens of other figures associated with the New York Council on Foreign Relations, the higher-level U.S. coordination center for this "peace" movement, have signed on.

The 'body-count' policy content

The presence of these figures, who have had so much to do with what has been evil in U.S. foreign policy over the past several decades, and especially with the national debacle that was Vietnam, betrays the actual policy content for which the current media-fanned "peace" upsurge is a cover: the genocidal population-reduction policies of the Carter administration's *Global 2000 Report*. Robert McNamara, the architect of the Vietnam War as Kennedy's Defense Secretary and the recently retired President of the World Bank, spelled out the connection in an interview made available to this publication.

"The pressing need to cut world population," said McNamara, can only be achieved "by a change in current U.S. government policy." He said that Ronald Reagan will never tolerate the full implementation of Global 2000 policy doctrine, which calls for the elimination of more than 2 billion people from the world. The peace movement and similar moves by the Socialist International against President Reagan will weaken the government and eventually lead to his removal, McNamara stated.

The former Defense Secretary revealed that he is working with a group of policy makers "outside the government," including former Secretary of State Cyrus Vance, Trilateral Commission head David Rockefeller, and former Undersecretary of State Warren Christopher to promote attacks on Reagan administration foreign and defense policy. Christopher has already signed the call for the freeze resolution, while sources close to Kennedy's office say that Vance, who co-chairs the Socialist International-linked Palme Commission on Disarmament Issues, is about to sign on.

In late February, a former top Carter administration official who had already signed the freeze resolution call told an interviewer that David Rockefeller and the Trilateral Commission had decided to "oust the Reagan administration" and stage a policy coup on defense and foreign policy in particular using their networks in Congress. He predicted the emergence of a "street movement" against the Reagan administration.

McNamara has not signed the freeze resolution, though he indicated sympathy towards its organizers and their aims. He plans to make a speech attacking Reagan's nuclear arms policy in the near future.

The conventional build-up as population policy

Robert McNamara is best known to the American population for his ghoulish briefings to the press during the Vietnam War on the enemy "body count," and it was the McNamara of that epoch who was dragged out March 15 to justify the nuclear freeze resolution by another population-reduction fanatic, J. William Fulbright. Fulbright, the former chairman of the Senate

Foreign Relations Committee, a co-signer of the resolution and a registered agent of the terrorist Libyan government, was appearing before the House Subcommittee chaired by freeze co-sponsor Rep. Ron Dellums (D-Cal.). McNamara, according to Fulbright's testimony, has said in the 1960s that the United States could destroy the Soviet Union with only 400 ICBMS. Why continue a strategic weapons development and production program when we have far more than 9,000 strategic nuclear warheads, Fulbright asked, especially when we must cut our budget deficit?

Fulbright proposed scrapping strategic weapons development altogether in favor of a modest conventional arms buildup. Asked by Dellums how the population could be mobilized behind the freeze, the former Senator cited the general fear of war and added, the "worsening economic situation." The same connection was made March 14 by Ted Kennedy, in a nationally televised interview where he said the freeze would make possible drastic cutbacks in defense spending.

This coheres with McNamara's population doctrine. As demanded by former Vietnam War Chief of Staff, retired General Maxwell Taylor, the reason for a conventional build-up is to create the basis for the deployment of troops into the developing sector. These troops would become the new colonial forces to police "surrogate warfare" that would depopulate the developing sector. This warfare is predicted by such figures as "Body Count" McNamara and by Taylor, who stated last year that he has written off more than a billion people's lives in the Third World as beyond saving, and that the only problem was how to manage that outcome.

To the extent that NATO is forced, by "peace movements" here and in Europe and by "budget crises," to adopt a conventional-war orientation, it is moving toward overseeing the genocide in the developing sector desired by McNamara and company.

The origins of the freeze

The American freeze movement was started by a supporter of "conventional deterrence."

The nuclear freeze resolution is the brainchild of Randall Forsberg, who heads the Institute for Defense and Disarmament Studies. Forsberg spent seven years as a top analyst for the Stockholm International Peace Research Institute (SIPRI), a group formed by circles around the late British anti-science guru Bertrand Russell and regarded as the top thinktank of the European peace movement. SIPRI operatives have recently been promoting schemes for a European build-up of conventional military hardware as an alternative to further nuclear weapons deployment. These proposals parallel those of a NATO-linked "European Security Study" directed by Massachusetts Institute of Technology professor and Club of Rome executive member Carroll

Wilson.

Forsberg maintains frequent contact with the leaders of the European peace movement, including E.P. Thompson, the Russellite British peace leader and the former head of the Committee for Nuclear Disarmament, and Petra Kelley, the former staff aide to Senator Kennedy and current European Economic Community official who heads West Germany's Green Party. Forsberg has been to Europe "three or four times this year" according to a close aide.

Kelley and other freeze leaders will meet with six European peace movement leaders who will tour 50 American cities starting March 20. These same European leaders, who are currently planning a mass demonstration in Bonn when President Reagan travels there in June for the NATO summit, will also meet with the Council on Foreign Relations in New York City, as well as the *New York Times* editorial board.

According to an aide to Forsberg, the first freeze proposal was introduced in 1979 by Senator Mark Hatfield as an amendment to the SALT II treaty. Its timing coincides with the first moves to build the European peace movement in response to plans to modernize NATO's theater nuclear weapons. Freeze resolutions have been circulated through New England town meetings and state legislatures. Organization and leadership were provided by such sources as the American Friends Service Committee, the Unitarian Church, and the Jesuit Georgetown University and its President, Father Healy.

June demonstration planned

It was not until after freeze resolutions had passed scores of town meetings and parts of six state legislatures that the Council on Foreign Relations trotted out Kennedy and other Congressmen as spokesmen and added its own heavyweights like Harriman as public backers. National media coverage began in late February and is expected to escalate as the resolution is brought to a vote in September or October.

The freeze organizers plan a mass rally in front of the United Nations Special Session on Disarmament June 12. The freeze movement, now headquartered in St. Louis, claims 20,000 organizers and "millions of supporters." By "importing" Europeans and Japanese for the event, organizers boast they will have "at least 250,000 people in the streets of New York."

Where is the money coming from to finance all this? The European green leaders who will arrive this month are planning meetings with major foundations, whose heads coincide with the Council on Foreign Relations crowd. And, freeze organizers claim, they are getting backing from "prominent and concerned citizens"—like those who ran both sides of the Vietnam catastrophe.

Congress leaps into Volcker budget trap

by Graham Lowry, U.S. Editor

Under marching orders from the financial centers of the European oligarchy, the Republican and Democratic leaderships of the United States Congress have ganged up to try to stampede President Reagan into scrapping his proposed 1983 budget and accepting the extreme austerity package demanded by Federal Reserve Chairman Paul Volcker. During the week of March 15, a barrage of public demands to slash federal deficits, made by the International Monetary Fund, Wall Street, and the Fed itself, sent much of the same crew on Capitol Hill who backed the railroading of Harrison Williams scurrying forth with "bipartisan" calls for increased budget cuts and tax increases.

Typifying the pro-Volcker forces dictating this further assault on both the U.S. economy and President Reagan, IMF Managing Director Jacques de Larosière called on Washington March 16 to muster the "political courage" to lower the budget deficit—or suffer continuing high interest rates. This intrusion into U.S. affairs was enthusiastically endorsed the next day by a prune-mouthed *New York Times*. Whining as though Reagan's refusal to cut entitlements, slash defense, and raise taxes were a repudiation of the deity, the *Times* asked editorially, "Can he continue to dismiss doubters like Mr. de Larosière?"

On the same day, Wall Street economist Henry Kaufman of Salomon Brothers told the House Budget Committee that unless the budget is slashed now, interest rates will rise rapidly and raise the threat of 1930s-style depression. Wall Street, Kaufman declared, has "lost confidence" in President Reagan's economic program.

Federal Reserve Board governor Henry Wallich, a mouthpiece for the Swiss-based Bank for International Settlements, told foreign correspondents at the same time that the Fed's tight money policy would continue unless "there were an incomes policy, no farm price supports, a reduction in the budget, [and] a \$10 [per barrel] oil import tax." Privately, the BIS and the Organization for Economic Development are running the same demand for greater budget austerity past anyone who

will listen.

Senate Democrats quickly convened a caucus March 16 and endorsed an open letter to Reagan, over the signature of Minority Leader Robert Byrd (W.Va.), calling the currently projected deficit unacceptable, and demanding that Reagan submit a new budget, including a deferral of the 1983 tax cut and a commitment to balance the budget by 1985. Sen. Paul Laxalt (R-Nev.), immediately embraced the Democrats' call for a balanced budget, calling it "the most significant development we've had in trying to reach a consensus" and predicting "it should be a tremendous driving force" for reaching a bipartisan "solution."

This "bipartisan" assault on President Reagan has been put forward under the fraudulent claim that the ballooning federal deficit is the cause of continuing high interest rates—a hoax that even Volcker repudiated under sharp questioning at a recent congressional hearing. Carrying the absurdity further, congressional leaders are now proposing to implement Volcker's program for greater austerity as the means of satisfying constituency demands that depression-enforcing high interest rates come down. Senate Finance Committee Chairman Robert Dole (R-Kan.), warning that Republicans face defeats in the November elections and possible loss of control of the Senate, chimed in the day the Byrd letter was announced, "If the President has good political antennae, he'll give in some."

Majority Leader Howard Baker (R-Tenn.) and House Minority Leader Bob Michel (R-Ill.) joined Laxalt in delivering a warning to Reagan that "unless these budget numbers are improved and interest rates are brought down, there will be serious political as well as economic problems."

As Advisory Board Chairman Lyndon LaRouche of the National Democratic Policy Committee (NDPC) warned in a March 8 release which has saturated Capitol Hill, the threat of irreversible depression makes all this haggling over budget cuts and tax increases "sheer idiocy." Urging immediate passage of President Reagan's proposals, LaRouche emphasized, "It is worse than a waste of time to improve the submitted budget now, an absolutely worthless exercise in legislative theatrics as long as the issue of Paul Volcker and Volcker's economy-wrecking policies is not resolved."

In a clear response to growing pressure from the NDPC, which has made Volcker its main issue for two years and has organized over 250 chapters nationwide in the last six weeks, Byrd's letter to Reagan concluded with some further hokum about the need for "a more moderate monetary policy" in order to reduce interest rates and permit economic recovery. Byrd urged Reagan to strike a deal with the Fed to adopt "a less restrictive monetary policy," *in return* for the same "fiscal tightening" Volcker has been demanding.

Science & Technology

NASA chief: 'space station next step'

by Marsha Freeman,
Science & Technology Editor

In an interview with the *EIR* on March 4, James Beggs, the Administrator of the National Aeronautics and Space Administration, reaffirmed his commitment to the idea of a permanent presence in space as the "next logical step" in the manned space program. In the recent period this concept has been under attack from spokesmen from the office of the President's Science Adviser, Dr. George Keyworth, and from Keyworth himself.

"We are still studying the permanent manned presence in space because we think that it's the next logical step, for a lot of reasons, not the least of which is to figure out how to have engineers and scientists working in space," Beggs stated. "I think space is no different than anything that we've done on Earth. We've got to try things out and then fix them and change them and it is better if you can do that in orbit than bring things back to Earth each time."

"You should be able to work in space and work the problems out and proceed to bring things, step by step, to commercial reality." Beggs stressed that this experience and uninterrupted access to space is what will make industrial processing in space a commercial concern.

"To do this you are going to have to have some kind of space station. The station also will enable us to get information and develop techniques for operating in space which will make possible moving men into geosynchronous orbit [22,300 miles above the Earth], then back to the Moon, and then maybe back to Mars. . . . I think eventually there will be a move toward that, starting with robotic stations on the Moon, and maybe Mars and then expanding from that.

"We still feel strongly [at NASA] that that's the case, but in the launching of a space station program I would not want to give up any of the other parts of NASA's programs."

Earlier, Beggs had stressed the importance of the often-threatened space science programs. During the

deliberations for the FY83 NASA budget Dr. Keyworth and other representatives from the White House were noncommittal toward continuing the crucial planetary exploration programs. Answering a question about the next 20 years for the space program, Beggs stated that NASA wants to continue "what we like to describe around here, as a 'balanced' program. We have always felt that the strong program that has existed for over the past 20 years in space science is the heart of our program.

"It enables us to understand our environment and it also enables us to project into the future, things that might be useful fallout activities which have benefits for the country, and the world. The planetary exploration program—the exploration of the universe in general—has been important in three ways: first, it helps us understand both our origins and where we are going; second, it stimulates the entry into science and engineering of young people, because nothing is more exciting than that exploration activity; and third, it has very important economic fallout.

NASA and the military

One of the key questions raised in the budget process itself and in the congressional deliberations on the administration's request for NASA funding has been the appropriate relationship between the civilian space program and the military. In a number of cases, technology development programs that have been under civilian development by NASA have shifted over to Air Force funding. This includes advanced communications technology which will be used by both the military and commercial sector.

Beggs firmly indicated his judgment that the best place for advanced R&D development is in the civilian sector.

"Our research at NASA supports the development of military aircraft and space applications. We've always done that in the agency, and I hope we always will.

"It's been a very good program. It's benefitted the military and it's benefitted the civil industry because when you start a piece of research you don't necessarily know what the outcome will be. I think it's important that that research be done in an open agency like NASA because the results of that research can be made available to both the civil and military side. I would argue that that's the most efficient way of doing it."

Responding to complaints from Senator Harrison Schmitt (R-N.M.) and others that the military is not paying for its share of space technology development, particularly in the Space Shuttle program, Beggs indicated that there are advantages in keeping as much of the programs funded by NASA as possible.

"I do not believe that just because some of our work has military applications, that the military should pay for it. Quite the contrary, I think it ought to be funded

as a separate item so we are not constrained by having to very strictly work on only what the military might want us to work on. There's a political problem because you have the case of restrictions that Congress has put on military research, like the Mansfield amendment [which in the 1960s restricted government funds for military research at universities], which are inhibiting in their effect on a good part of broad, forward-looking research programs.

One of the most controversial programs shared by NASA and the Air Force has been the development of a high-energy upper stage which would be used to launch spacecraft from the Shuttle while in low-Earth orbit [300 miles above the surface of the Earth] with commercial, scientific, and military uses. Many have claimed that the Air Force has dictated the major design for the upper stage to the detriment of the NASA effort.

"The question of a high energy stage in the Shuttle is an issue of national policy which effects a lot of different things," Beggs explained. "It would be nice to have the military join with us in a joint program of that type, but my hope would be that we could design an upper stage in such a way that it would serve *all* of the market—not only the military, not only NASA's planetary programs like Galileo and the International Solar Polar Mission, but also the commercial programs which will also eventually require higher lift to geosynchronous orbit. . . . If we build one that is not flexible and not priced so that it can handle all of those markets, we'll be in trouble. The importance there is that NASA lead the effort, or that whoever leads the effort in industry, be very sensitive to the fact that it has multiple uses."

Making a policy fight

Beggs had stiff opposition in his fight for the FY83 NASA budget over the past year and the FY84 budget cycle will be no better. NASA requested \$7 billion, which the Office of Management and Budget trimmed to \$6.6 billion, but the OMB had wanted the space programs cut to \$5 billion. No support has come from Dr. Keyworth.

On the space station initiative, Beggs stated, "We still have a lot of people to convince." When queried as to whether this included the Science Adviser, Beggs responded that Keyworth "is sticking a needle in us and saying, 'I don't see a hard requirement for the station,' and he's right. . . . The hard requirement for the Apollo program was not to go to the Moon, but to out-distance the Soviets. I don't think that that's a compelling reason any more. So we've got to sharpen our thought processes and decide exactly what that requirement is when we look at that 20-year planning cycle. I think one of the things that this country may have been lacking in the last ten years is clearly defined programs as we did in the 1960s."

Republicans concede doom—privately

Every spring for the past five years, about 100 elected Republican office-holders have gathered at the Tidewater Hotel on Maryland's Eastern Shore for a weekend of informal policy discussion. This year's proceedings resembled nothing less than a herd of lemmings rushing to the sea. Shepherded by four cabinet secretaries, Budget Director David Stockman, and Special Trade Representative Bill Brock, the Republicans passed three windy resolutions commending the administration's initiatives on the economy, federalism, and Central America.

In particular, they promised to burrow even deeper into the economic morass of the budget debate as advocated by Federal Reserve Board Chairman Paul Volcker and his Swiss and London banking masters.

Private pessimism

But, in private discussions with *EIR* correspondents, many of the Tidewater attendees acknowledged that political and economic panic is gripping large portions of Republican officialdom. The statement by National Democratic Policy Committee Advisory Board Chairman Lyndon H. LaRouche, Jr., entitled "No Budget Cuts, No Tax Increases," advocating quick dismissal of the meaningless budget debate and even quicker attention to Volcker's depression-producing high interest rates, was appreciatively received by many of the senior administration and congressional figures present. At one point, two cabinet members were spied in a corner comparing notes on the LaRouche statement.

In its last paragraph, the statement warned Congress: "unless you come to your senses and dump Paul Volcker, the voters of this nation are going to lynch you politically at the polls." One individual close to the political (if not economic) thinking of the White House said, "I agree with his statement, but most emphatically with the last paragraph. We have been embracing Volcker instead of attacking him." But he concluded, "I don't see anything changing in the short term."

One Senator, having read the statement earlier in the day, questioned, "You talk about a May conjunctural crisis: What makes you think we have that long?" He advocated legislating a ceiling on interest rates, noting that the Japanese would have long since taken that kind of action if interest rates were destroying their economy.

Public insanity

These, and other behind-the-scenes encounters, were the only discussions of any economic substance at Tidewater. The budget resolution passed by the conference has, among its many provisions, a section praising the Reagan administration for bringing interest rates down by 25 percent from Carter's record high rates. The resolution concluded that Reagan's program is working, "by virtue of progress to date and will be most successfully accomplished by action of the Congress during its consideration of the budget taking the steps necessary to achieve the goal of a balanced budget by 1985." Even those few participants who warned of the consequences of ignoring high interest rates, such as Sen. Mark Andrews (N.D.) and Sen. Larry Pressler (S.D.) had no alternatives to offer. Conspicuous in his silence

was economic gadfly Jack Kemp (N.Y.), who has dominated past Tidewater conferences with his rhetoric about supply side theory and economic growth. Asked about his quiescence, Kemp said, "I didn't think it would be worth bringing up anything, except maybe a gold proposal; besides, the only one worth influencing at this point is the President."

Conference organizer Sen. Bob Packwood (Ore.), a leading population-control advocate, carefully kept all of the discussion within controlled bounds. On Central America, Packwood provocatively offered a Haig-like resolution on using armed force, if necessary, in Central America, to keep it within the U.S. sphere of influence. A substitute amendment praised the Reagan administration's Caribbean basin free-enterprise initiative—a Dope, Inc.-authored proposal to turn the region into a drug-producing paradise. Both "alternatives" will have the ultimate effect of massive depopulation and disruption of the region.

Rebel's reward

Packwood recently came under pressure from the administration to recant certain comments where he openly criticized the President and his economic policies. The liberal Senator, who arranged the conference by seating participants at tables named after Republican historical figures, was asked if he had seated himself purposely at the table named after John C. Fremont, the man thrown out of the U.S. Army for mutiny some time before his nomination as the first Republican presidential candidate. Packwood claimed ignorance of that historical fact, but added that perhaps it shows that "the rebels sometimes get rewarded."

Congress calls on Reagan to back Global 2000

Massachusetts Democrat Rep. Nicholas Mavroules has introduced a resolution calling on the Reagan administration to implement various important aspects of the Carter administration's *Global 2000 Report* which aims at reducing world population levels by 2 billion people by the year 2000.

The Mavroules Resolution, H.R.275, states, "It is the sense of the Congress that the executive branch should begin to systematically coordinate and improve its projections of world population, resource, and environmental trends, and their analysis, as outlined in the Global 2000 study."

In introducing his resolution, Mavroules indicated his full approval for *Global 2000*, a document developed largely under the influence of the genocidal Club of Rome. "I believe that *Global 2000* is a landmark event, and that it deserves serious attention from the current administration. If we ignore it, we do so at our own peril," he said.

Mavroules has just sent out a Dear Colleague letter soliciting support from his fellow Congressmen. Rep. Les Aucoin (D-Ore.) has agreed to cosponsor the resolution.

Why is Stockman against farm exports?

OMB Director David Stockman's sabotage of Congressional efforts to establish an export credit fund to foster agricultural exports is being hotly discussed in the House Agriculture Committee.

The committee held hearings

March 9 to hear Agriculture Secretary Block, U.S. Trade Representative Bill Brock and other officials on the problems and prospects for U.S. agricultural programs. In particular, the hearings focused on the export credit revolving fund authorized by Congress in the 1981 omnibus farm bill. Under that Act, funds would be loaned to overseas customers to promote market development and expansion. The fund is considered a revolving one because as principal and interest payments are paid back to the Agriculture Department, the money is reloaned to foreign buyers of U.S. farm goods.

At the hearings, Secretary Block endorsed the program, saying that he believes it sound and useful. But David Stockman has ensured that the administration's budget does not recommend any funds for it.

House Agriculture Committee members are adamant that the fund begin operation, particularly now, when Paul Volcker's usurious interest rates are devastating U.S. agricultural production. The committee voted to recommend to the Budget Committee that the FY 1983 budget contain the funds for the program. The committee believes that between \$500 million and \$1 billion is needed.

Republicans on the committee, under the leadership of the ranking minority member William Wampler (Va.), sent a letter to the President stressing their backing for the fund and urging him to support it.

Following the March 9 hearing, Agriculture Committee Chairman Kiki de la Garza (D-Tex.) declared in a statement March 10 that Stockman seems to be the key person preventing implementation

of the fund. "It seems that, so far, officials who control budget decisions have not been willing to give export credit the priority many of us—in both parties—believe it deserves in the national interest. . . . Perhaps we may want to invite Mr. Stockman to discuss these matters with us."

Tower states defense priorities

Testifying before the Senate Budget Committee on March 18, Senate Armed Services Committee Chairman John Tower (R-Tex.) advocated reducing the size of the U.S. military force structure rather than cutting back in the areas of readiness or modernization. Tower added, "I should emphasize that I do not favor these force structure reductions, but will pursue them if budget pressures become too severe."

Senate Budget Committee Chairman Pete Domenici (R-N.M.) agreed with Tower that "it would be a grave error to reduce significantly our near and long-term defense commitment, although we may disagree on what 'significant' means." Domenici agreed with Tower that defense cuts should not be made in exchange for *increases* in domestic spending. "I do not intend to support significant cuts in our military spending unless they come as part of a package that dramatically reduces domestic spending and substantially changes the revenue base of the federal government," he said.

Tower concluded his recommendations by warning that if force structure reductions were

carried out, the United States would have to make some of those reductions overseas. "Thus in the final analysis reducing force structure means that some foreign policy commitments will not be met."

Tower was not specific as to where these reductions in commitment would occur but when asked by Sen. Slade Gorton (R-Wash.) his opinion of Sen. Ted Stevens's (R-Alaska) proposed reduction of U.S. ground forces in Europe, Tower replied, "We are in Western Europe for our own national interest, because of what the consequences would be if Europe was neutralized or Finlandized." Noting that European defense commitments grew at a faster rate than those of the United States in the 1970s, Tower concluded, "I do think, however, that it is appropriate to warn Europe that the American public will not support a continued American presence in Europe if the Europeans do not maintain an equivalent level of support and if the Europeans do not permit us to deploy weapons in their defense." He also reported he has questions about the Rapid Deployment Force, whose mission, he said, has "traditionally been a Marine Corps function. Any other form "smacks to me of an American expeditionary force."

Senator attacks cuts in high-tech coal research

Senator John Melcher (D-Mont.) questioned the Department of Energy's decision to end federal funding for magnetohydrodynamics (MHD) research in its fiscal 1983 budget, at March 17 hearings of the Research and Development

subcommittee of the Senate Energy Committee. Melcher pointed out that according to the administration's own criteria, the MHD process, which produces electricity from coal by an efficient and environmentally clean method, should be one of the prime candidates for continued research and development funding.

Jan Mares, Assistant Secretary for Fossil Energy at the Department of Energy, replied that the MHD program met the criteria for federal funding, but "the process required a very expensive effort" and was being terminated for that reason.

Melcher answered, "Administration logic escapes me."

While this most promising, high-technology area of coal research is being rescinded in 1982 and zeroed-out in 1983 despite congressional support and appropriations, the administration is putting top priority on the highly inefficient and expensive technologies to produce synthetic fuels through coal gasification and liquefaction. Much of the FY83 coal research budget of \$107 million—down from \$417 million in 1982, is devoted to those technologies.

New immigration legislation proposed

Senator Alan Simpson (R-Wyo.) and Rep. Romano Mazzoli (D-Ky.), former members of the commission on U.S. immigration policy headed by the Rev. Theodore Hesburgh of Notre Dame, introduced a new immigration bill March 17. The legislation, the Immigration Reform and Control Act, is a significant departure from

the open border, guest-worker approach proposed by President Reagan to further strengthen U.S. relations with Mexico; it adopts the population control strategy of the Hesburgh Commission.

In introducing the bill, Simpson said on the Senate floor, "It is my judgment that uncontrolled immigration is one of the greatest threats to the future of this country. . . . As mortals, we live in a world of limits and tragically that must include limits to our charity. Each man and woman here faces daily in his or her own life, the moral dilemma posed by other human beings in need. Each must decide where to draw the line in helping others. It is tough—but we have all done that or we would not be here today."

The Simpson-Mazzoli bill would, as part of a "universal employment authorization" system, levy fines against employers who hired unregistered employees. First and second violations would be punishable by \$1,000 and \$2,000 fines, third violations by criminal penalties including imprisonment. The bill sets a total U.S. immigration quota of 425,000 people per year.

The key to the system proposed in the bill is the controversial policy of using identity cards or a government-maintained data bank to regulate the activities of immigrants and employers. Anticipating adverse reactions to this proposal, which parallels the work-book system used under Hitler's Third Reich, Simpson insisted, "It won't be an internal passport or a card you have to carry all the time. . . . It will not be a card which some jack-booted minion mashes your door down" for.

National News

Abscam appeal dismissed: rights found not violated

A conviction obtained in an Abscam investigation was affirmed March 18 by a Federal appeals court in a decision that said law-enforcement agents could use "special investigative techniques to uncover insidious corruption."

The ruling focused on a relatively minor defendant, Alexander A. Alexandro Jr., an investigator with the Immigration and Naturalization Service. Alexandro was convicted of accepting a bribe to obtain an immigration document for the friend of an "Arab sheik" who turned out to be an undercover agent of the FBI.

In dismissing the appeal, the U.S. Court of Appeals for the Second Circuit ruled in Manhattan that Alexandro's constitutional right to due process had not been violated by the methods of the Abscam investigation.

Lawyers familiar with the case note it could hold significance for other appeals involving important political figures.

Press complains of 'illegalities' on Nicaragua

At the State Department press briefing March 15, Secretary of State Alexander Haig came under concerted attack from the press, which questioned the legality of recent State Department actions.

State Department spokesman Dean Fischer was first asked under what authority the Nicaraguan prisoner, who was brought before the Foggy Bottom press corps March 12, was held in custody in the United States—since the United States is not at war with Nicaragua. Previously, the official answer was that he was in the United States "on parole," but at the press briefing it was claimed he was not a prisoner at all, but the State Department had brought him to the United States on an ordinary non-immigrant visa. In that case, asked the press, why was he in custody? Fischer had no an-

swer.

Fischer also had "no comment" on Sen. Barry Goldwater's remarks, printed in *Newsweek*, that the *Washington Post's* exposé of CIA bombing of bridges in Nicaragua was true. But, said the *Post's* Don Oberdorfer, "These are widely circulating allegations which have now been confirmed by the Chairman of the Senate Intelligence Committee. Your refusal to deny them is tantamount to an admission." "I still have no comment," Fischer replied.

The third issue raised by the press was Secretary Haig's offer to enforce the U.S. Neutrality Act against right-wing Nicaraguan terrorist training in the United States, in exchange for an end to Nicaraguan support for the Salvadorean left. "Is he making enforcement of U.S. law conditional on a political agreement?" Lars-Erik Nelson of the *New York Daily News* asked pointedly. "I'll look into it," was Fischer's only reply.

Reagan NRC issues anti-nuclear study

In a report which will no doubt drive investors away from the utilities in question, the Nuclear Regulatory Commission has released a "staff study" which lists 19 nuclear plants presently under construction, which the NRC feels will be canceled in coming months. One utility, Philadelphia Electric, issued an immediate denial of plans to cancel its Limerick-2 plant near Pottstown, calling the NRC statement "off the wall."

The staff study was requested by Carter-appointed NRC director John Ahearne, and admittedly based on "conjecture, newspaper articles, conversations with financial houses and hearsay." The NRC staff did not ask the utilities involved if they had plans to cancel.

The report follows by less than a week, a call by the Fusion Energy Foundation for an investigation of the Nuclear Regulatory Commission. The FEF charges that there is a small group of anti-nuclear activists who are members of the NRC staff, and that these individuals are in regular contact with anti-nu-

clear groups and are leaking them non-public information in order to shut down the U.S. nuclear program.

FEF Director of Nuclear Engineering Jon Gilbertson charged in a Washington D.C. press conference March 12 that furthermore, some NRC regulations are actually causing nuclear plant breakdowns. He gave as an example regulations which made standard maintenance procedures impossible, such as that which leads to the corrosion of steam tubing in pressurized water reactors.

Philosophers invade the medical profession

New York teaching hospitals are employing philosophers to help the medical profession find an alternate ethic to the Hippocratic Oath, according to *New York Times* March 19 front-page coverage.

John D. Arras, a philosopher recently appointed to the clinical staff of Montefiore Hospital in New York's North Bronx and the only philosopher in the country with a full-time appointment to a hospital's clinical staff, said the intent was to have philosophers help physicians make judgments about life and death with a deeper insight into the "meaning of life" and into the complex and conflicting moral and ethical questions that are involved.

The philosophers, for example, give advice on when or whether a terminally ill patient or a deformed or brain-damaged infant should be allowed to die, or who should be admitted to an overcrowded intensive care unit, or under what circumstances a patient can refuse "exotic"—as the *Times* terms it—life support technology.

"We do not, however, tell doctors what to do," emphasizes philosopher Arras.

One situation which, according to Arras, "still haunts physicians," was a case he was called into last month involving a 15-year-old girl who had tried to kill herself by jumping from a building in the South Bronx. She did not die, but became almost totally paralyzed. Arras said that by means of blinking her eyes,

the girl communicated to members of the medical staff that she still wanted to die. He was asked that if the girl went into respiratory arrest should she be put on a respirator, or allowed to die.

The *Times* reports that fortunately the conflict was resolved when the emotionally disturbed adolescent decided she wanted to live after all, but the issue is still "haunting."

Arras is an associate of San Francisco State University philosophy professor Mary Anne Warren, whom the International Caucus of Labor Committees has indicted at the United Nations for violating the Nuremberg statutes for her advocacy of killing deformed infants.

DOE committed to McCormack Fusion law

Department of Energy official Dr. Al Trivelpiece emphasized in mid-March hearings the DOE's commitment to comply with the McCormack Fusion Act, the bill passed in 1980 which calls for a crash program to develop thermonuclear fusion. Trivelpiece's statement, made before the Energy and Water Development Subcommittee of the House Committee on Appropriations March 15, is the first public statement made by a DOE official indicating that the law is an active consideration for the Department.

During last year's budget process, the previous director of the Office of Energy Research insisted that the Reagan administration was not taking the McCormack Act into consideration in planning the fusion program.

Trivelpiece, a plasma physicist, explained to the subcommittee that the fusion program is "mission oriented" and that the DOE does have the intent to carry out the act. It is being delayed, he noted, only because of the current economic situation.

When questioned about DOE Secretary Edwards's statement that fusion would not be ready for 50 years, Trivelpiece said he had not heard Edwards's statement, but that his estimation was that it would be developed within 20 years. He pointed out that the timetable

depends upon funding.

Fusion would be a clean, cheap, inexhaustible source of energy.

DOJ attempts Teamster local takeover

In what is being billed as a national test case, the Justice Department announced March 9 that it was suing for a court-supervised takeover of New Jersey Teamsters Local 560 in Union City, New Jersey. Local 560's President is Salvatore Provenzano, head of the New Jersey Teamsters and an International Vice-President.

U.S. Attorney for New Jersey, W. Hunt Dumont, and the Newark Organized Crime Strike Force called a press conference to announce that they were invoking an as yet untested—in relation to the labor movement—section of the R.I.C.O. (Racketeer-Influenced Corrupt Organizations) Act to file a civil action to strip Local 560 of all its elected officials and its executive board, past and present.

In a later interview, Dumont stated that the Justice Department and others in Washington are watching the case "very closely." He noted that if the DOJ is successful in the court-supervised takeover of the local, that the same approach could be used with the International Longshoremen's Association.

A hearing is scheduled March 22 before Federal District Court Judge H. Curtis Meanor—the judge who heard the 1979 case against Teamster leader Anthony Provenzano. Two of the federal prosecutors who will be arguing for the union takeover, Thomas L. Weisenbeck and Leopold Laufer, were involved in last year's framing of then Local 560 President Nunzio Provenzano. In that case, Salvatore Provenzano and a business agent, Michael Sciarra, were acquitted but Nunzio Provenzano was convicted on labor racketeering charges.

The DOJ argues that since one of the Provenzanos have held the position of union President in Local 560 since 1958, that the government has the right to step in and throw out the elected officials.

Briefly

● **BLUE CROSS**, the insurance company, is advocating that the plug be pulled on coma victims, the *Washington Post* reported March 18. "It's a social policy question," Blue Cross vice-president Barry Wilson is quoted as saying, "whether society can afford to pay large amounts for care with uncertain outcome."

● **A FEDERAL COURT** has thrown out the New Jersey congressional redistricting plan Gov. Brendan Byrne signed into law just before leaving office in January. The redistricting included a computer-designed district carved out of five previous districts by Byrne Department of Consumer Affairs head Adam Levin, son of real estate magnate and Meyer Lansky associate Phillip J. Levin. The New Jersey legislature has until March 22 to draw a new redistricting proposal.

● **TERRY DOLAN**, Chairman of the National Conservative Political Action Committee, startled many NCPAC supporters by granting an interview to the homosexuals' magazine *The Advocate*, in which he said he would support a law prohibiting the federal government from discriminating against gays. "Sexual preference is irrelevant to political philosophy," he said.

● **JANE BYRNE**, Chicago's mayor, may be in for political trouble. In the Democratic primary of March 16, her chosen candidate for the 5th C.D. seat, incumbent John Fary, was soundly beaten by Alderman William Lipinski. Lipinski was backed by the forces of Byrne's probable opponent in next year's mayoralty race, Cook County State's Attorney Richard Daley. Another Byrne protégé, Jeffrey Roberts, was also defeated in his effort to unseat State Assemblyman Larry Bullock, who has prominently opposed Paul Volcker.

Phase II begins against Mr. Reagan

Starting in December 1980, before President Reagan's inauguration, *EIR* presented the evidence that the Socialist International was prepared to mount a mass movement against the new administration and its anticipated policy failures.

That evidence was presented in our Dec. 23 cover story, "Eurosociologists Launch Takeover of the Democratic Party," in our weekly coverage thereafter, and in our special January 1981 News-in-Depth Report titled "The Socialist International Plot to Destabilize the U.S." The report was an exclusive account of the proceedings of the Dec. 5-7 "Eurosociology in America" conference in Washington, D.C., presided over by the leading Socialists of West Germany, France, Sweden, Spain, Holland, and Britain. We described the financial backers of the Socialist International, including the German Marshall Fund, which brings together Averell Harriman, David Rockefeller, and John J. McCloy, as a conduit for the anti-growth policies of the European oligarchy and its extensions inside the East bloc. We described the circumstances: this international policy faction's alarm that Mr. Reagan might be able to put the United States back on the track of industrial development at home and high-technology exports as the basis of foreign policy.

We relayed the Socialists' plans, as they unfolded at the conference, as 1) to "Hooverize" Ronald Reagan; 2) to take control of the Democratic Party; 3) to trigger a new wave of urban upheavals; and 4) to paralyze American foreign policy, with destabilizations throughout the Third World; a new East-West freeze, so that only "the worst of the KGB and worst of the State Department" would still have open channels; and a poisoning of U.S.-European relations, all undercutting positive American influence abroad.

And we further reported, as the Carter administration's Abscam-Brilab continued to be given full rein under Mr. Reagan, that if the Justice Department's political police were not curbed, and in particular if an innocent Senator, Democrat Harrison Williams of New Jersey, were railroaded out of the nation's highest legislative body, GOP leaders and the President

himself would be placed at the center of a free-fire zone.

Now, seemingly overnight, a "peace movement" is being created in the United States as the counterpart of the violent "green peace" movement funded and coached by the German Marshall Fund. This month Socialist International leader Bruno Kreisky, the Prime Minister of Austria, openly emerged as the patron of Libya's Muammar Qaddafi, the terrorist liaison who in turn openly announced his financial and political support for "the peace movement." European security officials confirm to *EIR* that "a new 1968" is being planned as a battering-ram against national governments on both sides of the Atlantic.

In the United States, the "peace movement" is part of a general social upheaval *and* a specific attempt to enforce the tax increases and defense policy demanded by the International Monetary Fund, by the Bank for International Settlements, and by Paul Volcker—a policy of horrible civilian austerity combined with slashes in the advanced-technology sectors of the military which are indispensable for economic recovery and defense preparedness.

Throughout 1981, we warned the administration that unless it dumped Secretary of State Haig—whose seeming follies are part of the Socialist International's plan to discredit and demote the United States—and eliminated Paul Volcker and his policies, the nation would be at the mercy of the enemies of industrial progress, and the President would be set up for assassination attempts and "Watergate" scandals. We warned that the Abscam operation was part of the preparatory effort to ensure that no bipartisan obstacle consolidated against Paul Volcker, directing the White House's better impulses.

Now the United States is in the midst of a full-fledged depression; the Western world is on the edge of social convulsions. The accuracy of *EIR's* warnings is proven, and their urgency is redoubled. It is not too late to deliver some nasty surprises to the Socialist International if those warnings, and the intelligence impelling them, are acted upon.

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