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May 4, 1982

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# EIR

## From the Managing Editor

Our Special Report this week examines the two possible, and wholly divergent, methods of restructuring the North American Treaty Organization in the 1980s. The report begins with a reference to Gen. Douglas MacArthur, which reminded us of some lessons of World War II appropriate for anyone who doubts that what we term the British military approach is a population reduction strategy.

It was British planners and their associates in Washington who pressed for the "Morgenthau Plan" policy in defeated Germany—stripping its industry and flooding its coal mines. Not only would a shrunken German population be relegated to backwardness and "pastoralization," but all of Europe would be deprived of its industrial motor. And a milder form of that plan was indeed imposed on the occupied Ruhr.

MacArthur, by contrast, deliberately gave Japan the ability to vastly expand its industrial base and upgrade its labor force during his occupation command, for that is what he saw as the essence of "winning the peace."

This question—advancing civilization or destroying it—is at the heart of statecraft, as *EIR* founder Lyndon H. LaRouche Jr. elaborates in this week's National section, under the title, "The Clue to the Deeper Significance of the Monroe Doctrine."

Next week, *EIR* will explore the history of that doctrine, and the history of the British Empire against which it was aimed, along with the internal situation in Argentina, and the diplomatic-military conjuncture around the Malvinas.

*Susan Johnson*

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## Swiss cashing in as financial fears mount

by David Goldman, Economics Editor, from Wiesbaden

The Malvinas Islands crisis has already become the theater for a quiet international banking reorganization. Switzerland, whose monetary authorities point out that other banking centers have been badly compromised by politically motivated seizures of assets, is the center of behind-the-scenes preparations for scuttling the present world banking system.

The *London Observer* reported April 19 that Schroder Wagg, the British merchant bank which began as a German-Jewish trading house in Latin America, had already transferred its entire \$10 million loan book for Argentina to the relative safety of Zürich on April 1, one day before Argentine troops moved into the Malvinas Islands. Other British banks have reportedly taken the same step. Schroder's canny action must be seen in the context of other developments. Switzerland has also been the principal beneficiary of the Mitterrand government's ostensible exchange controls—which resulted in the creation of 600,000 new Swiss accounts for French citizens, who are openly setting up gold accounts with the Paris branches of Swiss banks, contrary to the supposed toughness of Mitterrand's control measures.

Already last year, the top French *Banque d'Affaires*, the Banque de Paris et de Pays-Bas (Paribas), had transferred its major holdings to Geneva, through the intermediation of the Swiss-French-Canadian Pargesa group, arousing the impotent rage of the French government. Last month Pargesa also secured a controlling 30 percent share in the Belgian bank Bruxelles-Lambert, which enjoys a position in Belgium comparable to Paribas' in

Paris. These events bespeak a general consolidation of financial operations through the free banking center of Switzerland. Senior Swiss bankers point out that New York lost its credibility as an international banking center, above all with Arab depositors, following the 1979 U.S. seizure of Iranian assets. Now the center par excellence of Eurodollar market business, London, with more than \$200 billion of international deposits, has fallen into the same hole. This is broadly recognized in British banking circles as well. In an April 20 editorial entitled "Bankers and Realpolitik," the *London Financial Times* warned that the Malvinas crisis is probably only the first in a series of such developments, where foreign policy would supersede the ordinary rules of business.

Swiss officials claim that Swiss policy is to avoid the exploitation of others' misfortunes, but they have difficulty suppressing a degree of *Schadenfreude* (joy at others' injury) in discussing the subject. Said a senior Swiss official responsible for monetary affairs in an April 21 interview: "There is no question of Swiss participation in any retaliatory moves against Argentina or any other country, which would be against Swiss neutrality." Asked whether Switzerland might benefit from the embarrassment of New York and London, the official said, "In conformity with our policy—I am referring to all Swiss official institutions—we wish to avoid those kinds of consequences, where we would benefit from troubles elsewhere. But between the principle and application there can be considerable divergence."



The military dangers inherent in the British blockade of the Malvinas overshadow, but do not erase, the financial background to the British seizure of Argentine assets. Whether or not the Argentines are forced into default as a military measure, the underdeveloped sector is bankrupt, and has been since the doubling of oil prices and the ensuing doubling of interest rates in 1979. The exhaustion of the oil surplus also exhausts the base of banking deposits with which the deficits of the underdeveloped countries may be financed.

The world is moving into a 1934-style system of defaults, blocked accounts, bilateral trade, and rationed credits: the "monetary protectionism and domino-style banking collapses" Schmidt warned against in an April 5 address. This much was recognized in a roundabout fashion by *Financial Times* columnist Nicholas Colchester in an April 21 analysis:

The gross surpluses of the oil exporters were \$111 billion in 1980, dropped to \$75 billion in 1981, and will, according to a Bank of England estimate, be down to \$20 billion in 1982 [Daiwa securities estimates a \$10 to \$50 billion deficit—D.G.] . . .

Those oil surpluses were very large. They were equal to well over half of all current-account deficits in 1980, and their first appearance did seem to kick the whole business of international finance onto a higher plane. So their dwindling permits two hunches. The first is that overcapacity in the business of wholesale international banking will have to be shaken out. The second hunch is that consortium banks [banks owned by a combination of parent banks—D.G.] will be particularly ill-placed in this process. They rely heavily on the interbank market for their funds. The size and extraordinary growth of that interbank market partly derived from the geyser of oil deposits which arrived through too small a number of institutions to be re-lent directly to the outside world. As the geyser fails, the importance of direct access to customer deposits will re-assert itself.

Quietly, a gigantic rupture in the structure of the banking system is becoming apparent. On the one side, according to official estimates from Morgan Guaranty Trust, Chemical Bank, and the U.S. Treasury, bank lending to the LDCs is expected to fall to only \$50 billion this year, from \$63.4 billion in 1981. However, German banking sources say, a great deal more than this is currently being lent short-term, as banks generate deposits on the interbank market, and lend the ensuing deposits to developing-sector debtors, so that the debtors may pay their interest on previous loans. At current interest rates, the interest alone on developing-sector commercial and official debts will be more than double the \$50 billion the banks say they plan to lend; and the

borrowers in question cannot possibly cut imports fast enough to save funds in order to pay interest. Therefore, while the OPEC deposit base (as well as the deposit base deriving from other recession-struck commodity producers) has shrunk, the interbank market has continued to expand to fill the gap, and provide refinancing credits to this category of debtor nations.

"Despite the disappearance of OPEC deposits," said a well-informed Frankfurt financier, "there is still money in the Eurodollar market. But none of it is real." As fast as the banks are refinancing bad old loans with bad new deposits, however, they are scrambling to segregate their good deposits—deposits of corporate customers and creditworthy nations—and their good loans. In effect, they are doing business with two sets of books, one of which may be sacrificed if major defaults occur, leading to the sort of "domino-style banking crisis" Helmut Schmidt warned of. As *EIR* has noted for some time, the creation of the international banking facilities (IBFs) represented such a second set of books, a fallback option in case of major defaults—the American banks have attempted, insofar as possible, to finance bad loans to underdeveloped nations through fictitious deposits, in such centers as London or the Cayman Islands. If such loans are defaulted upon, the banks would, at least theoretically, have the option of abandoning those offshore subsidiaries, declaring them banks of British or Caymans Islands nationality, and writing off only the negligible equity value held by the mother bank. At the same time the cast-off subsidiary would default on its deposit obligations to the interbank market—producing a chain reaction collapse.

This scenario is very much on the minds of European bankers, who watched with alarm as the New York banks brought \$100 billion of deposits into their IBFs in New York. "A major purpose of the IBFs was to create a fallback option in the event of a crisis, we have known all along," said a senior West German commercial banker. "Our only fallback position would be to withdraw into Germany, and then finance our trade in German marks."

The Swiss have already taken a big step toward a 1934-type banking system, in which banking would retreat behind national barriers, through new measures to make the Swiss franc more attractive as an international lending currency. In an extraordinary development on April 17, the Swiss central bank permitted the World Bank to issue a dollar bond in Switzerland, with interest and principal payments indexed to the dollar-franc exchange rate. As the *Neue Zürcher Zeitung* pointed out April 20, the Bank of England has taken a remarkable step toward promoting the pound sterling into expanded international status, by permitting the new London gold futures exchange to denominate gold contracts in sterling. Previously, all gold trading, in-

cluding that in Switzerland and West Germany, had been conducted in dollars.

### Reorganizations

The proponents par excellence of currency blocs, the present French government, intended to use the Versailles summit the second week in June as a forum to demand that the dollar find a band of stability against the European national currencies—something the present U.S. Treasury would never accept—with the threat that Europe would create an anti-dollar bloc in case of American refusal. Bonn still vehemently opposes such anti-Americanism, but the issue is not really what currency arrangements governments might come up with: it is how the world banking system will be reorganized under conditions of de facto bankruptcy. The re-positioning of major commercial banks under these circumstances, might override all such reasonable objections to currency blocs.

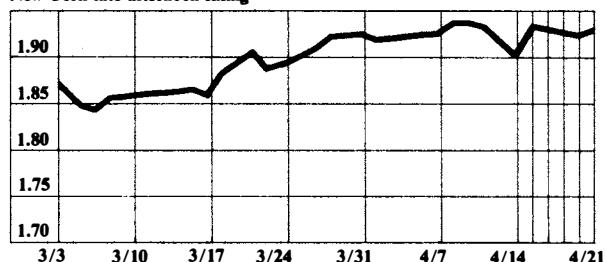
It is also not to be left out of account that the banking developments summarized above have a disturbing parallel in strategic affairs, namely, that the collapse of the U.S.-dominated Eurodollar market would be accompanied by a strategic humiliation of the United States. Some well-informed observers of Swiss affairs believe that an American failure to stand by Argentina would force Argentina into a higher level of economic deals with the Soviet Union as a matter of survival, a question intensified by the early April meeting of the joint Argentine-Soviet economic commission. According to these observers, the Swiss-Italian Freemasonic banking group associated with the 'Propaganda-2' lodge exposed last year by the Italian government are backing the Argentine side (despite the fact that Britain's Duke of Kent heads the lodge) in order to position themselves to mediate such a Soviet-Argentine economic deal.

The Soviets, who must protect their trade channel with Argentina merely in order to ensure grain supplies, cannot afford to look the other way in the event of a British blockade. Certain illusions in Washington are not helping the American position. The *Neue Zürcher Zeitung* noted April 20 that the resumption of American-Soviet grain negotiations May 21-22 in Paris, announced by farm-state Sens. Robert Dole and Roger Jepson, has a good deal to do with the Argentine crisis: Agriculture Secretary John Block believes, according to the Swiss newspaper, that the Soviets must negotiate on American terms now that Britain threatens to blockade Argentina's grain ports. One can imagine how the Kremlin would react to such an American negotiating posture. Again, Switzerland, the perpetual "neutral," hopes to use its connection into Argentina, which centers on the old Perón forces, to become the indispensable middleman in the whole affair.

## Currency Rates

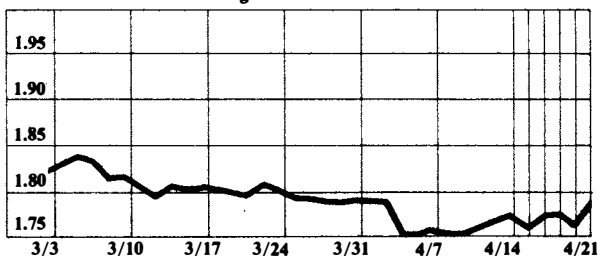
### The dollar in Swiss francs

New York late afternoon fixing



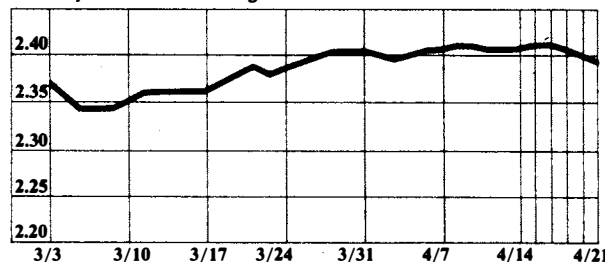
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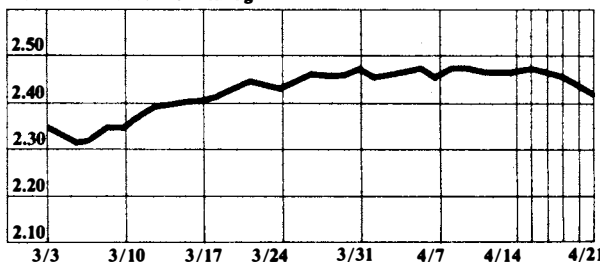
### The dollar in deutschemarks

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### The dollar in yen

New York late afternoon fixing





# Oil-price drop and capital outflows threaten the Venezuelan economy

by Dennis Small, Latin America Editor

Venezuela, one of the world's principal oil producers and a leader of the Organization of Petroleum Exporting Countries (OPEC), was thrown into turmoil in early April when the continuing softness in the world oil markets induced the OPEC nations to decide to cut back on their volume of exports. Venezuela has agreed to drop exports from about 1.8 million barrels per day to 1.15 million bpd, which translates into a reduction in annual oil earnings of some \$6-\$7 billion.

The talk of the day in Caracas is how to adjust to this sharp drop in income. How much should the budget be cut? How many government employees should be laid off? Who should get the axe first? The ruling Copei and opposition Acción Democrática parties are tripping over each other proposing various economic formulas for austerity.

Venezuela is simultaneously being subjected to growing pressure by the international financial community to devalue its currency, the bolívar, after 20 years of stabil-

ity. Last month the head of the central bank, Leopoldo Díaz Bruzual, managed to stare down a rumor campaign that the bolívar was about to be devalued. But in March a new speculative assault surfaced, which Díaz Bruzual told the press was a consequence of the recent devaluation of the Mexican peso. International speculators, he reported, were pressuring Venezuela, Brazil, and other Third World nations to devalue their currencies, in the hopes of making a profit from such a move.

But what makes the current conjuncture particularly worrisome for Venezuela is the fact that today's problems come on top of three years of consistent reductions in the economy's rate of growth, at the hands of the administration of President Herrera Campins.

## Pérez versus Herrera

Up until 1979, the year Herrera took office, Venezuela was one of the Third World's most dynamically growing economies, with yearly GNP growth rates of a

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**Figure 1**  
**Venezuela: basic economic statistics\***

	1975	1976	1977	1978	1979	1980	1981**
Population (in millions) .....	12.2	12.6	12.9	13.3	13.6	16.5	18.0
Consumer Price Index .....	5.7	7.7	7.7	7.2	12.3	21.6	16.2
GDP .....	15.8	16.9	17.0	17.9	18.0	17.8	17.8
Total public debt (long-and short-term) .....				17.9	18.4	15.4	28.1
Total exports .....	8.8	9.3	9.6	9.2	14.2	19.2	20.2
Total imports .....	5.3	6.8	9.8	10.6	10.3	11.3	13.3
Trade balance .....	3.5	2.5	-0.2	11.4	-3.9	7.9	6.9

\* Billions of current U.S. dollars

\*\* Projected

**Figure 2**  
**Percentage growth in Venezuelan Gross National Product**

	1968-73	1973-77	1978	1979	1980	1981 (estimated)
Total GNP . . . . .	5.1	6.8	3.2	0.7	-1.2	0.3
Manufacturing . . . . .	6.7	9.5	4.9	3.8	3.8	0.8
Agriculture . . . . .	3.6	4.2	6.3	3.7	2.9	-2.8
Construction . . . . .	11.6	15.0	11.0	-9.7	-15.5	-2.8
Commerce . . . . .	4.4	9.9	0.2	-6.6	NA	NA
Services . . . . .	7.1	8.7	2.9	4.1	NA	0.8



solid 6-7 percent. President Carlos Andrés Pérez (1974-79) nationalized the oil and iron industries, adopted a dirigist “V Plan” for the country’s economy, deliberately shifted the use of oil revenues into industrialization efforts, and kicked off sizeable projects in steel, aluminum, hydroelectric, and so forth. This led to a leap in gross capital formation to an average of 29 percent per year between 1975 and 1977, and to an import boom averaging up to 30 percent per year. There was also a shift in the internal composition of imports in favor of capital goods for the industrialization effort.

From his first day in office, Herrera explicitly shifted in favor of a more services-oriented economy, and more strict adherence to monetarist guidelines as a national

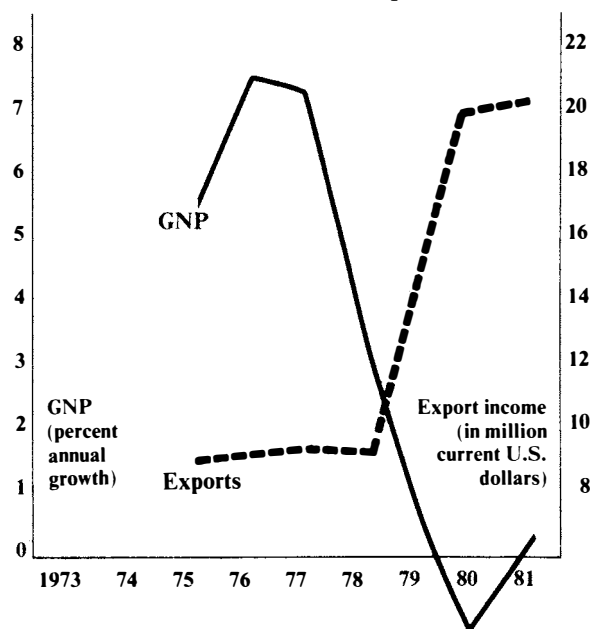
priority. The large industrial projects—Sidor, Venalum, and Corpozulia—have by and large been left to languish by Herrera. And the earlier period’s high GNP growth rates have been replaced with rates of 0.7 percent, -1.2 percent, and 0.3 percent in each of the last three years. In this an across-the-board decline, the sectors hit hardest have been construction and agriculture (see Figure 1).

The irony of this situation is that Venezuela slumped into sharp recession at exactly the point (1979) that there was a significant increase in world oil prices. Since petroleum constitutes fully 95 percent of Venezuela’s export earnings (the remaining 5 percent is made up mainly of iron ore and other raw materials, shipped primarily to Andean Pact nations within Latin America), the world rise in oil prices meant a leap in Venezuela’s overall export earnings by over 100 percent in two to three years (see Figure 2). The question that immediately crosses one’s mind is how President Herrera managed to shatter what was a booming industrial economy at precisely the moment that the oil revenues, which were the motor of development, were rising so sharply. It is almost as if the economy had been driven into recession deliberately.

That is precisely what happened. Admittedly, Herrera’s term has coincided with the recessionary world economic environment caused by the high interest rates of U.S. Federal Reserve Board Chairman Paul Volcker. But Herrera himself has advocated and encouraged Volckerite policies for Venezuela. He came into office openly proclaiming his administration to be an experiment in the anti-growth policies of the Club of Rome—a think tank famous for its “Limits to Growth” thesis. Each of the economic policies subsequently implemented by Herrera were elaborated in a conference of 100 top international figures, including many Club of Rome members, in Caracas, Venezuela in February 1979, immediately prior to the change in administration.

As recently as his 1981 year-end review of the Venezuelan economy, central bank director Leopoldo

**Figure 3**  
**Gross National Product and export income**



Díaz Burzual confirmed that the government had adopted the monetarist policy of "combating inflation" at the expense of economic growth—despite the objections of some other members of the cabinet. As a recent cable from the U.S. Embassy in Caracas to the Department of Commerce put it: "Termining the fight against inflation not completely compatible with growth, Díaz Bruzual said the BCV [central bank—ed.] had chosen to fight inflation and had met with success."

The success Díaz Bruzual is claiming is that the 1980 inflation rate of nearly 22 percent (foodstuffs rose at the dangerous rate of 39 percent) had been cut in 1981 to 16 percent. But the fact of the matter is that inflation had been steady at 6-7 percent up through 1978, and then shot upwards as a result of Herrera's anti-growth economic policies. One of the causes of the skyrocketing inflation rate—aside from international factors such as the run-up in world interest rates caused by Volcker's policies—is that Herrera shifted the direction of government spending away from productive investment projects, and into unproductive areas like services and debt repayment. Thus, we have the following comparative table:

Percent of government spending by area		
	1974-78	1979-81
Investment	42.7	26.0
Services	52.7	63.5
Debt service	4.6	10.0

The rise in debt service payments shown in the last row of the above table, translated into the following performance of Venezuela's debt service ratio (the interest and amortization on foreign debt as a percentage of foreign exchange earnings from the export of goods and services):

Venezuela's debt service ratio	
Year	Percent
1975	5.8
1976	4.2
1977	8.1
1978	7.6
1979	10.4
1980	12.0
1981	28.7

Throughout this period, the Herrera administration also adopted monetary and fiscal policies which facilitated a tremendous flight of capital out of Venezuela and into (especially) the Florida real-estate market. Some sources estimate that as much as \$6 billion in Venezuelan resources are today tied up in speculative activities in Florida.

### Sectoral forecasts

**Oil:** Venezuela's petroleum output has for the past

years fluctuated in the range of 2.0-2.2 million bpd, with the vast majority of this being exported: only 250,000 bpd or so are consumed internally. In 1980, crude-oil output dropped from 2.356 million bpd to 2.168 million bpd (-8 percent), and for 1981, the Central Bank announced there had been another reduction of 3.9 percent. Now production has dropped to 1.7 million bpd.

Short- to medium-term prospects on this line are grim for Venezuela, as for other oil exporters, due to the marketing problems created by the world reduction in energy consumption. Venezuela may benefit relative to other oil exporters, due to its geographical and political proximity to the United States, but this will in no way solve Venezuela's problem. In fact, already the United States is refusing to purchase the quantities of crude Venezuela would like to sell.

Over the longer term, Venezuela will experience aggravated difficulties in the oil sector, due to minimal investment in further oil exploration. At present, most

## Venezuelan economist calls for exchange controls

One of the most outspoken voices on behalf of high-technology industrial development in Venezuela has been that of Dr. Gumersindo Rodríguez, Planning Minister from 1974 to 1977 under Carlos Andrés Pérez. Rodríguez was the intellectual author of Pérez's ambitious "V Plan" development strategy, and today remains an influential policy voice in the Acción Democrática (AD) party. In a mid-January interview with one of Venezuela's regional newspapers, *El Informador* of Barquisimeto, Rodríguez stated:

"I believe that the next government of Venezuela . . . faces the responsibility of ensuring a rate of growth of the economy that increases employment and real income in the population, without at the same time weakening the Venezuelan currency. . . .

"I believe that that policy must be based on a re-expansion of the economy to bring it to a higher rate of growth. . . .

"To avoid the flight of capital abroad and the excessive spending of foreign currency, we must inevitably impose exchange controls. One measure I would suggest within those controls is the adoption of a strong tax on foreign travel. It is necessary to make the tourist dollar more expensive. Currently, we Venezuelans are spending \$1.5 billion [per year] on foreign travel."

efforts are going into developing the vast deposits of very heavy oil in the Orinoco Basin, but most observers agree that extraction of this low-quality oil will not become profitable at a world oil price any lower than \$30 per barrel. The current Herrera administration seems to be banking on such an eventuality.

**Heavy industry and infrastructure:** There are serious problems in this sector, which under the Pérez administration had become the motor driving the rest of the economy.

All of these major industrial projects are substantially behind schedule, principally due to reductions in government financing by the Herrera administration. As the London-based *Latin America Weekly Report* summarized the situation: "A major question mark hangs over the Guayana projects and their financing, which could make a nightmare out of Pérez's dream of *la Gran Venezuela*."

Downstream manufacturing activities have also dropped in 1981, as seen in the meagre overall growth rate of 0.8 percent. Particular problem areas were automobiles, textiles, and capital goods. Steel was off 4.9 percent for the year. But it is probably the construction industry in Venezuela that has been hardest hit of all as a result of the cutbacks in the big projects. After experiencing an average growth rate of 15 percent per annum from 1973-77, and 11 percent in 1978, construction activities contracted sharply over the next three years: -9.7 percent in 1979, -15.5 percent in 1980, and a projected -2.8 percent in 1981.

**Agriculture:** After two poor years in 1979 and 1980, last year was close to a disaster for Venezuelan agriculture. Production dropped by nearly 3 percent, leading to a situation in which the country must now import over 50 percent of its food consumption needs.

We forecast that this sector will *worsen* over the next two to three years, as a direct result of government policy. The 1982 government budget for agriculture has been cut by 32 percent over 1981 levels; virtually all price subsidies have been eliminated; government directives requiring private bank lending to farmers have been repealed; and no serious effort to modernize agricultural technology is being maintained.

## A program to launch industrial recovery

Despite the damage done to the Venezuelan economy over the past three years, it is possible—both politically and economically—to put that country back on the

course of rapid industrial development. There is still an underlying psychology of optimism among leading political strata in the country which translates into a continuing commitment to turn Venezuela into a modern industrial nation-state.

In the last half of 1981, the country was being drained of capital at the rate of over \$120 million per day, as capital fled Venezuela (where interest rates were being held at 12 percent) to Miami and New York banks (at 18-20 percent interest rates). The fixed parity of the bolívar (4.3 to the dollar), and its free convertibility, facilitated this wave of flight capital. A battle exploded over whether or not to raise Venezuelan interest rates to international levels. Over the objections of central bank director Leopoldo Díaz Bruzual, rates were finally allowed to rise to an average 16-18 percent in late 1981. This move had the expected result of contracting credit available to domestic industry—but it failed to stop the flight of capital. Most recent reports are that over \$140 million is leaving Venezuela daily, despite the rise in interest rates.

Under these circumstances, serious talk has begun to emerge in Venezuela of imposing exchange controls and other emergency financial measures. *EIR* proposes an overall strategy of economic recovery that would be based on the following steps:

1) **Impose strict foreign-exchange controls.** In an international environment determined by Volcker's stratospheric interest rates, this is a necessary defensive monetary financial measure for any developing nation that seeks to control its own money supply and credit system. In this way, the Venezuelan government could put a halt to the billions of dollars that have fled the country for the Florida real-estate market (see article above). The inordinate luxury tourism engaged in by Venezuelans—largely in Miami—should be sharply curtailed (see box).

2) **Lower domestic interest rates to the 4-6 percent range.** Using the buffer created by exchange controls, preferential domestic interest rates in this range should be made available in industrial areas which are national priorities. The current Friedmanite credit strangulation of local businessmen can in this way be ended.

3) **Develop high-technology areas of heavy industry.** Venezuela should reinstate the emphasis made under Carlos Andrés Pérez's "V Plan" on steel, aluminum, hydroelectric projects, and other infrastructure. In addition to these already identified projects, it is urgent that Venezuela immediately initiate a serious nuclear-energy endeavor, in order to develop the energy technology of the 21st century.

4) **Establish bilateral treaty agreements for transfer of technology with advanced-sector nations.** The proposal by *EIR* founder Lyndon H. LaRouche, Jr. for gold-reserve monetary backing for international trade and investment is the framework required to achieve the above goals.

# NATO control over East-West trade?

by Richard Freeman

On June 8, President Reagan will spend two days at Versailles with the heads of six other Western nations, discussing the world economy. Most of the leaders may hope that Mr. Reagan will come to his senses and jettison the tight-money policy of Federal Reserve Chairman Paul Volcker. The President, however, is being set up to make a proposal originated by Chase Manhattan Bank whose implications he probably does not recognize.

Mr. Reagan, sources report, is slated to demand that East-West trade relations be the number-one issue at Versailles. He will take out a briefing paper that proposes to *put East-West trade under the control of NATO*.

That policy would lock NATO and the Warsaw Pact into a permanent war footing; simultaneously, it would act as a precedent for placing the rest of world trade under supranational control. The plan may be unacceptable as an immediate measure to the governments of the other nations present (except Britain's Thatcher government), but the potential of such a proposal to factionalize the summit is viewed by some of its sponsors as part of its "charm." It will also come up at the June 10 NATO heads of state meeting in Bonn.

Chase's draft specifies that NATO's economic secretariat be upgraded to an equal footing with the military-political secretariat. Then all "sensitive" East-West trade agreements, defined so as to constitute 95 percent of trade between the two sectors, would have to be approved by NATO. Ironically, David Rockefeller, former chairman of Chase Manhattan, whose family still has a controlling interest in the bank, has posed for years as a *realpolitik* friend of the Soviet Union. But it is a Polish emigrée director of Chase's World Trade Information Corporation, Miriam Karr, who has been commissioned to work out the proposal.

Karr first presented her views in testimony before the House Committee on Science and Technology on Dec. 10, 1981, stating that "If upgraded to the same stature as the organization's [NATO's] military and political secretariats, the principal mandate of this restructured entity would be to candidly assess the risks inherent in such projects as Urengoi-Yamburg [the Siberian gas pipeline] and to establish priorities for developing resource locations providing the surest long-term supplies."

Karr explained that the RAND Corporation, the

unofficial think tank of the U.S. Air Force, participated in formulating the plan and testified on its behalf before Congress last December. In a telephone interview April 19, Karr stressed that if passed by NATO, the proposal would be binding on all NATO members. "If Helmut Schmidt and German industrialists wanted to claim that their trade with the East bloc was just normal, routine business, and the economic secretariat of NATO decided that they shouldn't engage in this trade, then Schmidt and Germany would be forbidden to carry [it] on. If Schmidt disobeyed, then Germany would be out of NATO."

Karr, well aware that Schmidt has attempted to keep channels open between East and West that would prevent new war tensions, stated that she sees all East-West trade as helping the Soviets. "It gives them hard currency. They can use that to buy goods for the military or buy goods that they would otherwise have to produce inside the Soviet Union. This allows the Soviets to free up industrial capacity for military production."

## Administration proponents

Karr is collaborating with several top members of the Reagan administration. Chief among them is Fred Iklé, the Undersecretary of Defense for Policy, a member of a Swiss banking family who takes orders from the Bank for International Settlements. "Iklé is clearly the person who is working the most on preparing this plan for Reagan," Karr said. She said that the plan has also been looked at and approved in general by Richard Perle, Assistant Secretary of Defense for International Security Affairs; James Buckley, Undersecretary of State for Security Assistance, Science and Technology; and Norman Bailey, Director of Research for the National Security Council. "My long-time colleague at Chase, Roger Robinson, just joined the NSC as Bailey's assistant," Karr reported.

The Chase proposal is part of a larger plan to give supranational institutions control over international trade and finances. In an article April 7 in the *New York Times*, Nathaniel Samuels, the vice chairman of Lehman Brothers, Kuhn Loeb who also sits on the board of Venice's leading insurance company, proposed that all Western financial policy on East-West trade be closely coordinated, "with the coordinating of financial tasks . . . undertaken by the Bank for International Settlements."

One source very close to Henry Kissinger claimed April 21 that Iklé's group in the Defense Department will also try to blackmail Western Europeans into putting tight government or NATO control on all credit to the East bloc, in exchange for the United States reducing its pressure against involvement in the pipeline from the Soviet Union. "Maybe we could enliven and upgrade the group of economic advisers who are active in the NATO command center," he suggested.

## Central banks' 'hit list' expands

*After Argentina, Mexico, and 15 other nations have been targeted by the BIS and the IMF.*

Immediately following the secret monthly meeting of the Bank for International Settlements in Basel, Switzerland on April 17-19, the Finance Ministry of Mexico was forced to announce its second major austerity program this year, to the specifications of the BIS and the IMF.

Mexico announced April 20 that it will slash its imports by 25 percent, from \$24 billion to \$18 billion, and cut a further 5 percent in its 1982 budget expenditure program. On top of the cuts announced after the February devaluation of the Mexican peso, this would make an 8 percent real cut in national spending for development. As a result, Mexican private bankers close to the BIS estimate that the country will be driven from its originally projected 1982 GNP growth rate of 8 percent, to under 2.5 percent.

The IMF, meanwhile, leaked an entire "hit list" of 15 countries to whom lending by the IMF and by commercial banks is to be cut off. Countries included from the East bloc, Romania; from the strife-torn Caribbean, Costa Rica, Honduras, Guyana, Grenada; from Africa, Zaire, Zambia, Uganda, Senegal, Tanzania, Togo, Madagascar, and Morocco; and from South Asia, Bangladesh and Solomon Islands.

According to the *Financial Times* of London, which reported the leak April 20, the 15 will lose almost \$5 billion in 1982 disbursements of loans "because they have

failed to meet their economic performance targets negotiated as conditionalities" for the loans, i.e. because these countries have failed to heed IMF calls for austerity.

The April 17-19 BIS meeting discussed the need for many countries to take such measures, a New York Federal Reserve official told *EIR*. The U.S. Federal Reserve, the Bank of England, the Swiss National Bank, and the other central bankers who make up the BIS board have for some time asked all commercial bankers to reduce their rates of exposures to almost every LDC nation. At the April BIS meet, they agreed to get tough, and use Argentina as a precedent.

The BIS word is that Argentina, which was the first to have lending frozen on April 2 by the Bank of England, proves that all LDC nations now represent high "political risk," the Fed official stated. "Since the British action against Argentina, bankers are worried about lending anywhere, and have become much more careful," he said. "Because of heightened political risk, lending will slow this year."

"Borrowing by Latin American nations as a whole has virtually dried up since the Argentinians landed on the Falklands. Lending to Mexico, Brazil, Venezuela, and Ecuador has come to a standstill," London bankers told the *Journal of Commerce* April 20. Mexico in particular was refused in a number of attempts to roll over its huge \$10

billion short-term debt into long-term loans, bankers told the *Wall Street Journal* the same day.

The measures taken by the Mexican government April 21 are exactly those demanded by the BIS central banks, led by the U.S. Federal Reserve, in interviews published in *EIR* right after Mexico's February devaluation. New York Fed official David Willey stated March 23 that Mexico must cut its rate of borrowing. "If they don't cut now," he said, "they will have real balance of payments trouble, and at that point they won't be able to borrow. Period."

The BIS strategy is to force all countries to adhere to the restrictions of the private markets—including those countries which have agreements with the IMF. Up to now, most of the countries announcing lending cuts have been big borrowers like Mexico, who do not have IMF programs to adhere to, but who now "voluntarily" commit themselves to harsh austerity without the IMF even having to be brought in. Mexico's \$6 billion import cut, for example, is very close to the \$8 billion import cut recommended by the IMF.

Now, the IMF's leak of its own "hit list" will force even some of the poorest and most bankrupt nations to take such harsh steps. As long as Zambia, Zaire, Bangladesh, and others were under IMF conditionality programs, commercial banks lent them some money. Now that the IMF has proclaimed them officially in violation of its conditions, "this will have a very detrimental effect on these countries," a top IMF official said. "Bankers all over the world will shy away from lending to them" until they enforce more austerity.

## A Swiss dictatorship?

*The Report of the President's Gold Commission provokes the question once more: whose gold standard?*

**T**he President's Gold Commission, almost in spite of itself, has reopened a very acute question with its final report, which was issued on March 31.

The Commission decided on "essentially no change in the present role of gold at this time," i.e., no gold for now. However, the report admits what our readers know: Paul Volcker could succeed in blowing up the existing monetary system. His high interest rates could soon result in mass bankruptcies of U.S. industry, savings banks, etc., forcing a U.S. financial reorganization.

Such a reorganization could include gold, the Commission notes: "We are not prepared to rule out an enlarged role for gold at some future date, if reasonable price stability and confidence in our currency are not restored. . . ."

With these words the Commission begs the question of import: if a financial calamity hits, exactly *who* is going to run a gold-based reorganization of the United States?

The Commission's own answer to its unstated question can be read in the allegiances of its members. Treasury Secretary Donald Regan heads a list of American supporters of the austerity gold scheme of the Bank for International Settlements, including New York financier Lewis Lehrman, monetarist Prof. Paul McCracken, and Federal Reserve Governor Henry Wallich.

The Commission report recommends that Congress and the Fed study "establishing a rule specifying that the growth of the nation's money supply be maintained at a steady rate. . . ." It observes that "one way to reintroduce gold would be to require the Federal Reserve System to maintain a minimum ratio between the U.S. government gold stock and the Federal Reserve's monetary base. . . ." These, of course, are prescriptions for a variety of austerity. mone-

Or, as the *Wall Street Journal* editorialized April 14, the report's message is, "Let us continue with Volcker's current no-gold monetarism, but if it fails and the banking system comes down, we need a back-up contingency plan for gold-style monetarism." Long a bastion of support for Volcker's policy, the *Journal* acknowledges that in a crisis "a gold-oriented policy is the likely alternative."

The BIS plan was formally announced last October by Dutch Central Bank president Jelle Zijlstra, then Chairman of the BIS, in Washington. He proposed an international conference of central banks, who would agree amongst themselves to fix a price of gold for the U.S. dollar, to settle accounts between countries.

As Zijlstra acknowledged, however, there is almost \$2 trillion in the offshore speculative markets, and only 264 million ounces of gold in the U.S. Treasury to back those

dollars. This works out to a gold price of over \$7,000 per ounce if every dollar is to be backed by gold. Zijlstra therefore demanded "transitional" measures to tighten up the supply of dollars—the *slashing of world credit for industry and trade*.

But two can play this game. Lyndon LaRouche, the internationally acknowledged adversary of the monetarists, in September put forward a gold plan, embodied in his "Four-Point Program," which the current debate calls into play anew.

The Commission report asks for the development of "a formula and timetable for valuing U.S. gold stocks in a manner realistically related to gold market value." As LaRouche proposed, upvaluing American gold to a market price or \$500 per ounce, "whichever is higher," would immediately give the United States some \$132 billion in new foreign reserves, which could be used "exclusively for productive-investment purposes." The LaRouche plan will be re-submitted to the Treasury for the new gold-upvaluation study.

This, of course, is not the intention of the Gold Commission, which demands "legislative constraints that the proceeds of this new valuation not be monetized by the Treasury or in any way used to enhance the government's spending power." LaRouche says the United States needs total "transparency" of any foreign bank that wants to do business here, to keep dope-money and related cash out. He also excludes the offshore \$2 trillion from his gold cover, declaring it "not legal tender." As he observes, "this would effectively bankrupt the British, the BIS, and the offshore bankers."



## Another WPPSS plant bites the dust?

*The Washington State fight over nuclear power is turning into a nationwide precedent on the survival of the industry.*

The federal Bonneville Power Administration head, Peter Johnson, has told the United States' largest municipal nuclear group, Washington Public Power Supply System (WPPSS), that another nuclear project, Unit 1, should be deferred for a possible five years. If approved by the Power Supply System directors as expected, this will leave only units 2 and 3 of the five original 1,200 megawatt plants remaining. Units 4 and 5 were mothballed, then cancelled on Jan. 22 as a result of a campaign by Wall Street and environmentalists.

The latest deferral move, according to sources at BPA, was the result of high interest rates, tight credit markets, and rate-payer discontent. Although WPPSS and BPA officials believe they are doing everything possible to salvage a portion of needed future electric capacity for the four-state Northwest, the utility group is being profiled into a carefully laid trap by a coalition of Wall Street investment banks and some of the country's most infamous anti-nuclear activists.

This operation could trigger a snowballing default by the 88 member municipalities of WPPSS which would make the 1975 New York crisis pale.

I-394, passed last November, would require the Power Supply System to gain state voter approval each time it needs to borrow for the next phase of nuclear construction on the remaining plants. It was the

brainchild of a slick coalition of anti-nuclear activists led by one Blair Butterworth, a Seattle "political consultant" who played a key role in the defeat of former pro-nuclear Gov. Dixie Lee Ray and is close to nuclear-freeze patriarch George Kennan.

The Washington State Attorney General, working in coordination with the top Washington, D.C. law firm of former HEW Secretary Joseph Califano, will go to court at the end of June to defend Initiative 394 against a constitutional challenge being brought by several banks and most recently by the U.S. Department of Justice at the request of the Department of Energy.

Unit 2 is more than 90 percent complete. It needs an estimated \$588 million to be finished by next year. Unit 3 is about 50 percent and 1 is almost 60 percent complete. The vital aluminum and aerospace industries of the Northwest depend on secure supplies of abundant power from WPPSS for the future.

I have names and details of how the scare operation was run that led to cancellation of 4 and 5. Merrill, Lynch was the lead underwriting house on the September 1981 WPPSS bond sale that totalled a whopping \$750 million. As lead underwriter, the firm's commission on WPPSS bond sales alone ran an estimated \$5 million. At the same time, certain Merrill, Lynch employees were busy in an effort to force cancellation of at least 4 and

5, a slight conflict of interest.

Last summer, Merrill Lynch municipal bond analyst Howard Sitzer reportedly invited Ralph Cavanagh, an attorney with the anti-nuclear Natural Resources Defense Council, Jim Lazar, aide to the anti-nuclear Washington State Sen. King Lysen (D-South King's county), and others to a special meeting in New York. The meeting, organized by Charles Noona of L. F. Rothschild to "discuss" WPPSS, marked a turning point in the guerrilla war against WPPSS. On July 24, 1981, Merrill Lynch issued its first negative WPPSS report. Drexel Burnham Lambert's Eileen Titmuss was quoted in the *Wall Street Journal* predicting that 4 and 5 "probably won't be completed." Oregon's anti-nuclear Rep. Jim Weaver (D) came to add fuel to the anti-WPPSS fires on Wall Street. One investment analyst who had been involved since 1978 with Friends of the Earth admitted with satisfaction, "I had no idea our efforts to stop WPPSS would go so far."

With ratepayers being hit with increased melded costs for plants 1, 2, and 3 in the midst of this concerted media and Wall Street war, "grass-roots" operations are demanding that local towns default on debts to 4 and 5 and "let the bondholders eat it." They are feeding discontent over rate increases to pay for the WPPSS nuclear bonds. Until now, the Northwest enjoyed the nation's cheapest electricity from the 1930s hydroelectric dams. Naderite groups like Irate Ratepayers are cleverly pinning inevitable rate rises to charges of mismanagement and the nuclear costs of WPPSS, ignoring the fact that there is no cheaper alternative.

# Trade Review by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
\$230 mn.	Mexico from Japan	Mexico's Federal Electrical Commission has ordered a 350 MW coal-fired electrical plant for Monterrey from Mitsubishi Heavy Industries. Coal will come from nearby Coahuila.	Financed by Japan's Eximbank, much more active lately in promoting Mexico projects than U.S. Exim.
	Africa from Brazil/Algeria	Brazil and Algeria will form joint venture for mineral prospecting in Africa. Also under discussions are export of Brazilian technology, engineering services, manufactures, weapons, and iron ore which could bring Brazil's exports to Algeria up from \$260 mn. last year to \$2 bn. in the medium term.	Brazil's export push is heavily focused on Third World.
\$820 mn.	Thailand from U.K./France/U.S.A.	Thai Oil Refining Corp. has given contract for oil refinery expansion from 65,000 to 120,000 bpd to Davy McKee of U.S., Technip of France, and French subsidiary of Signal Co. of U.S.A. Foster Wheeler's British subsidiaries will manage project. Thai Oil in joint venture of Thai govt. with Shell and Caltex.	Original plans for 154,000 bpd output scaled down because of expectations that Thailand's per capita oil consumption will fall during 1990s. Thailand seeking British and French govt. export-credit financing.
<b>UPDATE</b>			
\$1 bn.	India from France	India has signed letter of intent for 40 Mirage 2000 fighters from France's Dassault. India could add on another \$2 bn. deal later for assembly and eventual manufacture of another 100 Mirages in India. The Soviet MIG-27 is competing for that part of India's defense needs.	French deal blasts hope of British Aerospace which, until Indira Gandhi's return to power, thought it would monopolize India's airforce modernization with British Jaguar jets.
\$200 mn.	China from World Bank	China has begun use of World Bank loans to buy modern Western laboratory equipment for teaching natural science and technology in its universities. Super-soft terms are \$100 mn. at 9.6% and \$100 mn. interest-free with repayment over several decades. Attractive terms on this, first World Bank loan taken by Chinese, partly designed to undercut increasingly powerful opponents of Deng who sharply criticize "infiltration of bourgeois capitalist decadence."	China has world's worst higher education; 9 college students per 10,000 population, compared to India's 52. Modern lab materials were not needed to teach "Mao Tse-tung Thought."
<b>CANCELED DEALS</b>			
	Europe from Argentina	European Community (EC) banned imports from Argentina. Argentine trade officials confident grains can avoid ban through false shipping papers and active cooperation of officials in countries such as Italy, who value Argentine ties. Brazilian officials deny Brazil will seize Argentine markets, but Brazilian canned meat exporters are taking over British market.	Argentina applying counterpressure by blacklisting some European firms in project bidding; Latin American regional economic groups condemn EC boycott and offer to buy Argentine; will take stronger action if shooting starts.

# Business Briefs

## *International Credit*

### **Japanese businessmen oppose loans for U.S.**

Leaders of Japan's Keidanren, the powerful big business federation, reportedly oppose a proposal that Japan allow American businesses and communities to borrow heavily in Japan's low-interest domestic market, according to Jiji press. Zentaro Kosaka, currently a leading executive of the ruling Liberal-Democratic Party (LDP), made this proposal in an April 5 speech before the New York Japan Society in an effort to reduce economic frictions between the two countries. Sources told *EIR* that Kosaka had screened the proposal with Prime Minister Zenko Suzuki before making the public speech.

However, says Jiji, leaders of Keidanren feel that the scope of the plan—some reports suggest Kosaka is envisioning \$10 billion per year in such low-interest loans—makes it impractical. Moreover, Keidanren thought that since private banking must provide the commercial loans, Kosaka should have consulted Keidanren, rather than presenting the latter with a fait accompli. It would be very difficult to carry out such a scheme without Keidanren's cooperation.

## *OPEC*

### **Nigeria assumes emergency powers**

Nigerian President Shehu Shagari on April 19 requested that the Nigerian National Assembly grant him special powers to deal with the economic crisis the country is facing.

Because of Nigeria's large population and ambitious development projects, the country was considered the OPEC member most susceptible to breaking the OPEC price structure. During March its oil production fell into the range of 600,000 barrels per day from 1.75 million in January, and government expenditures were running at twice the level of income. 1980 oil production averaged around 2

million barrels per day, and after the 1981 glut, budgetary plans were based on an anticipated 1982 production of 1.3 million bpd. Oil exports account for 80 percent of Nigeria's federal revenues, and provides 90 percent of the country's export income.

Shagari addressed his request to both houses of the National Assembly in a joint special session called during the current recess. Both houses passed his request the same day, referred to as the Economic Stabilization Temporary Provisions Act of 1982, which empowers the President to issue provisional orders on a number of economic matters, according to a Lagos Domestic Service broadcast. These include the regulation or imposition of customs and excise duties, as well as regulation of exports and bans on imports. A number of domestic austerity measures were also taken to limit expenditures, as announced by Shagari in an address to the nation the next day.

## *U.S. Industry*

### **Aircraft orders in 1982 expected to dive**

U.S. aircraft manufacturers are expected to deliver one-third less aircraft in 1982 than the year before, calculated in constant-dollar values. Because of widespread cancellations, deliveries are projected by *EIR* to fall to about \$7.5 billion.

The value of U.S. aerospace exports, which topped \$18 billion in 1981, is expected to fall by 10 percent in constant-dollar terms, because of foreign competition from the Airbus and Japanese aircraft and the effects of the world depression. The export fall is also attributed to the high dollar parities and lack of Export-Import Bank funding for foreign sales.

Airline financing specialists have boosted the idea of using loans denominated in foreign currencies like the German mark, Swiss franc, or Japanese yen, but with principal payments made in dollars. A reverse operation is put forth by Citibank: a dollar-based loan issued in Switzerland with private investors using the bank as a guarantor. The bank then

hedges by finding a "counterparty" who will borrow dollars in the United States. Such schemes minimize exposure to currency fluctuations while taking advantage of tax windfalls in the "safe harbor" leasing allowed under the 1981 Economic Recovery Tax Act.

## *World Trade*

### **Washington to propose expanded GATT control**

U.S. Special Trade Representative William Brock told Congress April 20 that the U.S. will use the Versailles Summit of heads of state and the November GATT ministerial meeting to enlarge the GATT treaty to include service "industries."

Brock told the House Public Works and Transportation Committee that the U.S. would demand GATT rules for shipping, banking, telecommunication, insurance, and commercial aviation.

Brock said he is most immediately concerned with reducing foreign restrictions of U.S. shipping and airline services.

## *Insurance*

### **International conference assesses 'political risk'**

The World Insurance Congress will convene its annual meeting in Philadelphia April 25-28, attended by over a thousand of the world's top insurance executives. Participants will include leaders of the Venetian insurance industry such as the Assicurazioni Generali di Trieste e Venezia (Generali), and the Riunione Adriatica di Sicurtà (RAS) of Venice, as well as spokesmen from Lloyds of London.

The meeting is hosted in Philadelphia by the Insurance Company of North America (INA), one of the leading world specialists on what has come to be known as "political risk insurance," the insuring of business in developing nations which the British and Venetians have decreed are to have limited access to world credit markets and trade.

"Political risk insurance is a very hot topic and a major theme of the conference because it is the biggest new factor in the world insurance business," Dr. Frank Southard, head of the IMF Per Jacobbsen Foundation and political risk specialist, told reporters. "An increasing number of private business insurance policies are being written for companies who believe that doing business in the Third World constitutes an increasing political risk."

Political risk insurance promotes the idea that Third World nations must cut their populations if they wish foreign investment, he said.

Dr. Southard explained that "rising population growth and falling economic growth" in the Third World can easily make for "political instability, such as in Iran." While bank loans are not yet insured for political risk, he noted that the IMF-World Bank Development Committee under its Secretary R. Castoft is now writing a plan to insure lending at a new IMF-World Bank insurance fund. This fund would use "political risk" to limit all world lending, he said.

### ***Flight Capital***

## **Who benefits from financial uncertainties**

The threat of a credit-market shake-out is producing a tremendous movement of capital from around the globe seeking out the safety of either Swiss deposits or gold.

Reported a banker for a leading German bank April 19, the titled nobility in Europe are purchasing sizeable quantities of gold. The OPEC oil-producing nations and financially troubled developing countries are selling the gold to raise cash to meet payments imbalances and the old families of Europe are snatching it up as quickly as it hits the market.

A powerful private Swiss bank reported that it is now taking in a large amount of flight capital. "We are witnessing one of the greatest surges in flight capital since the 1960s," said one of the bank's officers April 21. "The

money is coming from the U.S. and from around the world and much of it is going into cash."

### ***Banking***

## **Congress considers S&L bailout plans**

The House and Senate Banking Committees have a full schedule before them of plans for bailing out the failing U.S. savings & loan industry, which has been bankrupted by the high interest rate policy of Federal Reserve Chairman Paul Volcker. S&Ls must pay nearly twice for deposits what they earn on their average old mortgages, which lost the industry \$5 billion in 1981.

The Senate Banking Committee on April 22 approved by 15 to 1 federal bailouts of \$5 billion to S&Ls and the housing industry for mortgage subsidies, submitted by Housing Subcommittee Chairman Sen. Richard Lugar (R-Ind.). The bill would have the Treasury encourage new home mortgages by subsidizing up to 4 percent of mortgage rates. At today's rate of 15 percent, eligible homebuyers would pay only 11 percent, which would be worth over \$13,000 to a homebuyer over five years. Families with incomes up to \$30,000 qualify.

The Lugar bill would help S&Ls by stimulating new mortgage loans at 15 percent and over, compared to S&L average mortgage earnings of 9 percent at present based on old mortgages made at 5 percent and lower interest rates. The bill has been sent to the full Senate for a vote. Although the White House last week went on record against it, the measure could easily pass the Congress.

Markup will also begin in late April of House Banking Committee Chairman Fernand St. Germain's H.R.5568, which would spend up to \$7 billion on subsidizing the "net worth" (capital funds) of S&Ls to keep them afloat. This bill could pass the Congress by May, sources said.

However, none of the legislation proposed can effect more than a short-term holding action to keep some S&Ls solvent, while the industry as a whole continues to go bankrupt. The root problem remains the Fed's interest rates.

## **Briefly**

● **HENRY WALLICH** of the Federal Reserve Board gave a speech entitled "Limits to Growth Revisited" at Rockford College, the home of the Heritage Foundation, in Rockford, Illinois on April 7. "Pressures to limit growth are real," he noted, concluding that, "We can be more confident today that the problem [of growth] can be solved."

● **WILLIAM CLARK**, the President's National Security Adviser, is running Presidential preparations for the June economic summit in Versailles, Mr. Clark's office said. "Briefing papers for the summit will be collected from various Departments here and centralized for the President," the NSC stated.

● **THE NEW YORK** Federal Reserve will publish a review of efforts by the Bank for International Settlements to curb world lending in its spring quarterly review, Fed sources say. An article by New York Fed research official Edward Freydl entitled "The Eurodollar Conundrum" will give the Fed's view that "we need central bank controls on the entire Eurodollar market." The Fed complained that "certain other central banks," a reference to the West German central bank, are "not resolved" to go ahead with such controls.

● **RIODOLAR**, a scheme for opening up Rio de Janeiro for international banking facilities, is being held up by Brazilian officials who fear it would aid Brazil's growing illegal currency market. Central bank president Osvaldo Colin admitted this to the press after an April 5-6 Riодolar promotion conference in which he, along with all other speakers, declared his support for the proposal. The only thing that a Citibank VP and others at the conference worried about is that Brazil's authorities "meddle too much" with the private sector for the banking secrecy needed for offshore banking to exist.

## Can America revive its military tradition?

by Criton Zoakos, Editor-in-Chief

To efficiently evaluate the current military policy debate in the United States, one must place the current developments in the context of the uphill political fight that Gen. Douglas MacArthur was fighting since at least his tenure as Commandant of West Point Military Academy. During the Korean War, those around General MacArthur who embodied the American military tradition were forced into a defensive political struggle of opposition to President Truman and Dean Acheson's concept of "no-win wars." Douglas MacArthur and the military classicists lost that political fight. As a result, the United States was led into another war which was regulated by the "no-win doctrine," in Vietnam.

So we come to the present period in which the principal authors of the Vietnam no-win war, Robert McNamara and Gen. Maxwell Taylor among others, are coming forward with their new proposal for a defense policy which would start with a pledge for "no-first-use" of nuclear weapons and end, in the foreseeable future, with gradual elimination of nuclear weapons. Both McNamara and Taylor argue that such a pledge to outlaw nuclear weapons will give the Western alliance a free hand to expand unlimitedly its conventional military capabilities to be deployed against a variety of Third World countries. The authors of this doctrine further happily envisage situations in which the two superpowers might securely engage in conventional conflict without fear of escalation into nuclear conflict. The polite word for assessing the military views of McNamara, Gen. Maxwell Taylor and their co-thinkers, is "hogwash."

### **Nostalgia for cabinet warfare**

This hogwash can best be understood as atavistic nostalgia for set-piece, cabinet warfare in the nuclear age. Behind the conception is a bunch of second-rate, senile minds still enamored with 14th century feudal policies. One such figure is Dr. Robert Runcie, the Primate of the Church of England and one of the chief authors of this military doctrine; another is



*In the American military tradition (from left to right): U.S. Army Inspector-General Alexander Hamilton; General of the U.S. Army Ulysses S. Grant; Gen. Douglas MacArthur; Lyndon H. LaRouche, Jr.*

the late Carroll Quigley of Georgetown University's School of Foreign Service. Both have expounded in detail plans for the eventual disintegration of the two nuclear superpowers, all based on an eventual outlawing of nuclear weapons, placing international controls over technological developments, and manipulating the two superpowers into negotiating a new set of "rules of the game," which in effect will reintroduce set-piece cabinet warfare in the nuclear age.

Archbishop Runcie detailed this approach in a sermon at the Trinity Church in lower Manhattan during May 1981 before an audience of the entire financial and political elite of U.S. Episcopalians, including Robert McNamara, Cyrus Vance, Averell Harriman, and the board of directors of Morgan Guaranty. An article published in the spring 1982 issue of *Foreign Affairs* magazine, the journal of the New York Council on Foreign Relations, authored by McNamara, McGeorge Bundy, George F. Kennan, and Gerard Smith, basically repeated the argument developed by Archbishop Runcie less than a year ago. Runcie's significance in this matter is not only that he maintains political relations with the U.S. Episcopalian elite on behalf of Britain's Royal household, but also maintains similar relations with those elements of the Soviet leadership which harbor British triple agent Gen. Kim Philby of the KGB.

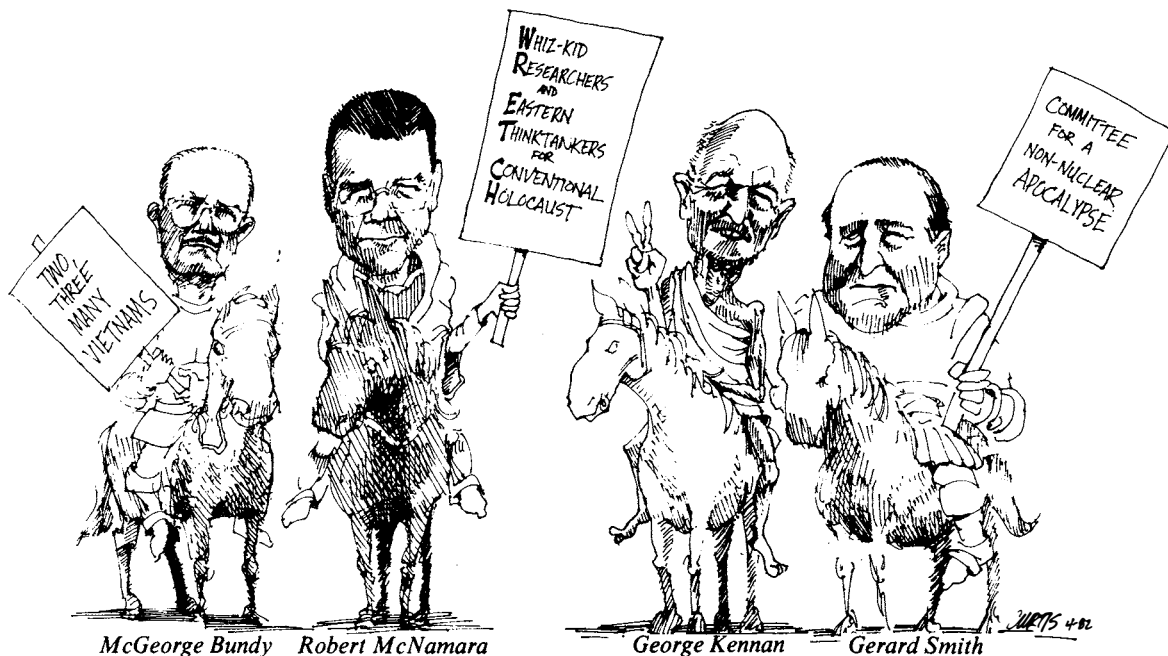
### **Where do the Soviets stand?**

There is no reasonable possibility that the Soviet military establishment will ever revert to military doc-

trines of cabinet warfare in the nuclear age no matter how much Soviet propaganda howls in favor of the "nuclear freeze" movement.

The special review of the subject presented in this *EIR*, gives the reader a map of the political groups who are attempting to promote this policy. It also presents in summary form the general argument against this strategic insanity as developed by Lyndon H. LaRouche, Jr., Chairman of the National Democratic Policy Committee's Advisory Committee and potential presidential candidate for the 1984 elections. This published item by Mr. LaRouche is the shortened companion piece to an extensive policy memorandum now circulating among NDPC officers as part of a policy deliberation in that organization. The title of that larger piece is "Only Beam Weapons Could Bring To An End The Kissingerian Age of Mutual Thermonuclear Terror," pre-publication copies of which can be obtained through *EIR*.

With these two policy proposals, LaRouche provides a comprehensive military policy required of the United States in complete opposition to the hogwash put forward by Taylor, McNamara, McGeorge Bundy, et al. LaRouche's approach could well be described as an expansion on Douglas MacArthur's professional military outlook. It is in that American military tradition which correctly views a nation's armed forces as the shooting front-end of its organized logistical/economic capabilities which are continually upgraded through uninterrupted technological and scientific advances.



McGeorge Bundy Robert McNamara

George Kennan Gerard Smith

### The Four Peaceniks of the Apocalypse

## Will NATO fight population wars?

by Lonnie Wolfe

Investigations by *EIR* have unearthed an international conspiracy involving top circles of the U.S. State Department that would make the United States and its NATO allies vassals of a British-controlled NATO directorate which will run “no-win” population warfare in the developing sector.

As of mid-April, sources reported that Secretary of State Alexander Haig and his top advisers were working the directorate scheme into “policy options.” Their plan is have President Reagan embrace these proposals and bring them to the June NATO summit meeting in Bonn. The plan has the support of pro-British networks inside the U.S. Defense Department and in the Congress.

*EIR* investigations have identified two overlapping coordinating groups for this conspiracy, both of which are working directly with the Brussels NATO staff of Secretary General Joseph Luns.

The oldest group is the Atlantic Council, based in Paris and Washington, D.C., which is acting through its three-year study project on NATO deterrence forces and policy. The working group, which is dominated by pro-British former NATO officials, formulated the directorate proposal in consultation with such British think tanks as the London-based International Institute for Strategic Studies. Former members of the study group who are now top officials of the Reagan administration are pressing for the plan, working with former Atlantic Council

member Alexander Haig. The Council, sources report, plans seminar sessions to spell out the nuts and bolts of the plan, and brainwashing sessions for policy makers.

The Atlantic Council overlaps with the European Security Study, a project initiated in late 1981 in the aftermath of the Soviet Union’s successful handling of the Polish crisis—i.e., the Soviets’ use of the Polish military to run the country, without resorting to a Warsaw Pact invasion. ESECS (pronounced “Essex”) was initiated at the behest of Lord Carver, the former British Defense Minister; Milton Katz, a former NATO official with connections to City of London and Venetian banking circles; and Carroll Wilson, an MIT professor and member of the executive committee of the Club of Rome. ESECS’s ostensible purpose is to examine NATO forces and doctrine along the central front—the line dividing Western Europe from the Warsaw Pact—but, as ESECS members make clear, their plan is to force a change in NATO doctrine along the “directorate” lines.

Representatives of both groups are sworn to secrecy about portions of their plans. They stressed, however, that they were not functioning as “policy advisers” or consultants to policy makers. They were *making policy*, and if the current group of NATO leaders did not like their policy, *the leaders would be changed*.

On April 7, former Defense Secretary Robert McNamara, the outspoken advocate of global population



reduction, held a Washington press conference to call on the NATO alliance to renounce unilaterally its policy of first use of nuclear weapons and focus on building up its conventional forces.

McNamara was joined in his call for a NATO "no-first-use" pledge by three other anti-technology proponents of global population reduction, who co-authored with him an article for the spring issue of *Foreign Affairs*, the journal of the New York Council on Foreign Relations; all four had been associated with the formulation of the NATO "first-use" doctrine which they now denounce as outdated and leading to potential nuclear holocaust:

**McGeorge Bundy**, the Kennedy administration's National Security Adviser, who initiated the Vietnam War, and former head of the Ford Foundation, a leading funder of population control in the developing sector;

**Gerard Smith**, the former arms-control negotiator for the Kissinger-Nixon administration, who has fought against the peaceful use of nuclear energy because it allegedly leads to nuclear weapons proliferation;

**George F. Kennan**, the "Mr. X" who penned the 1947 *Foreign Affairs* article that laid out the post-war containment doctrine against the Soviet Union and who now says that population growth and the spread of technologically induced pollution are the two greatest evils facing man.

Within hours of the press conference, sections of the U.S. nuclear-freeze movement and the European peace movement had endorsed the non-first-use doctrine. The previous day, Secretary of State Haig fueled the debate with statements proclaiming that the United States was committed to first use of nuclear weapons. Meanwhile, the media have churned out hundreds of pseudo-analyses, op-eds, and TV commentaries.

McNamara and the others were given their script by the ESECS group. Bundy, for example, was one of the original handful of ESECS members, whose numbers have now swelled to 150.

In an interview conducted two months ago, ESECS director Carroll Wilson laid out a three-year road to a full takeover of NATO policy by his conspirators. The first phase involved the publication of articles pushing the proposed doctrine to encourage a controlled debate. By the end of this year, the first drafts of ESECS policy-implementation papers will be ready. They will be circulated through private channels to policy makers throughout the alliance, and finally be compiled into book form for wider circulation.

By 1984, Wilson added, ESECS will be in a position to dominate political debate in the three key NATO countries—Britain, the United States, and West Germany—each of which will have crucial national elections at that time. The goal, he said, is to put governments in power that will carry out population warfare.

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## Documentation

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# Who's who in ESECS

*Members of the European Security Study (ESECS) include:*

**Carroll L. Wilson**, ESECS Chairman; international executive, Club of Rome; professor emeritus, MIT; director, CFR; TC.

**Robert R. Bowie**, professor of government, Harvard University; senior fellow, Brookings Institution; CFR; TC; special adviser to the U.S. High Commissioner in Germany; Director of Estimates, CIA.

**McGeorge Bundy**, professor of history, NYU, CFR.

**Field Marshall Lord Carver**, former: Chief of Defense Staff; Chief of General Staff, United Kingdom.

**Dr. Alton Frye**, Washington director, CFR.

**Gen. Andrew Goodpaster**, former: Commander-in-Chief, U.S. forces in Europe; Supreme Allied Commander, Europe (NATO).

**Milton Katz**, professor of political science, MIT; consultant to the Secretary of Defense; National Security Council; Office of Management and the Budget; CFR; Carnegie Endowment for International Peace; formerly: with RAND Corporation; Deputy Director, Office of Strategic Services in Italy.

**Franklin A. Long**, professor of science and society, Cornell University; former: director of Arms Control Association; assistant director, Arms Control and Disarmament Agency.

**Rolf E. Pauls**, West German diplomat; permanent representative to NATO; former ambassador to NATO, United States, China, and Israel.

**William J. Perry**, investment banker; mathematician; former Undersecretary of Defense for Research.

**D. Klaus Ritter**, director, Stiftung Wissenschaft und Politik/Research Institute for International Politics and Security.

**François de Rose**, French diplomat.

**Gen. Franz-Josef Schultze**, General, West German army (ret.); former Commander-in-Chief, Allied Forces, Central Europe.

**Gen. Johannes Steinhoff**, General, West German Air Force (ret.), former Chairman, NATO Military Committee.

**Marshall Schulman**, professor of government, director of the Russian Institute, Columbia University; former director of studies, CFR.

**Richard H. Ullman**, professor, political and international affairs, Woodrow Wilson School, Princeton University; editorial board, *New York Times*; director, 1980s Project, CFR.

*Organizations listed have been abbreviated as follows:  
Council on Foreign Relations: CFR; Trilateral Commission: TC*

# McNamara formula for 'no-first-use'

*From "Nuclear Weapons and the Atlantic Alliance," by McGeorge Bundy, George F. Kennan, Robert S. McNamara, and Gerard Smith, Foreign Affairs, Spring, 1982.*

For 33 years, the Atlantic Alliance has relied on the asserted readiness of the United States to use nuclear weapons if necessary to repel aggression from the East. Both deployments and doctrines have been intended to deter Soviet aggression and keep the peace by maintaining a credible connection between any large-scale assault, whether conventional or nuclear, and the engagement of the strategic nuclear forces of the United States.

A major element in every doctrine has been that the United States has asserted its willingness to be the first—has indeed made plans to be the first, if necessary—to use nuclear weapons to defend against aggression in Europe.

This element needs reexamination now. Both its cost to the coherence of the Alliance and its threat to the safety of the world are rising while its deterrent credibility declines. The time has come for the careful study of the ways and means of moving to a new Alliance policy and doctrine: that nuclear weapons will not be used unless an aggressor should use them first.

It is time to recognize that no one has ever succeeded in advancing any persuasive reason to believe that any use of nuclear weapons, even on the smallest scale, could reliably be expected to remain limited.

Any proposal for an Allied policy of no-first-use must provide for maintaining the effectiveness of NATO's deterrent posture on the central front. It must especially respect the interests and concerns of West Germany, which is directly exposed to Soviet threats and dependent on American nuclear protection. But the West Germans are probably like the rest of us in wishing to be able to defend the peace by forces that do not require the dreadful choice of nuclear escalation.

It is obvious that any policy of no-first-use would require a strengthened confidence in the adequacy of the conventional forces of the Alliance, above all the forces in place on the central front and those available for prompt reinforcement. It seems clear that the nations of the Alliance together can provide whatever forces are needed, and within realistic budgetary constraints, but it is quite a different question whether they can summon the necessary political will.

The first possible advantage of a policy of no-first-

use is in the management of the nuclear deterrent forces that would still be necessary. Once it is clear that the only nuclear need of the Alliance is for adequately survivable and varied second-strike forces, requirements for the modernization of major nuclear systems will become more modest than has been assumed. The savings permitted by more modest nuclear programs could go toward costs of conventional forces.

A posture of no-first-use should also go far to meet the understandable anxieties that underlie most of the new interest in nuclear disarmament, both in Europe and in our own country. Beyond strict military considerations, our interest in a policy of no-first-use is also political. The political coherence of the Alliance, especially in times of stress, is at least as important as the military strength required to maintain a credible deterrence. If consensus is reestablished on a military policy that the peoples and governments of the Alliance can believe in, both political will and deterrent credibility will be reinforced. . . .

Nor does this question need to wait upon governments for study. The day is long past when public awe and governmental secrecy made nuclear policy a matter for only the most private executive determination. The questions presented by a policy of no-first-use must indeed be decided by governments, but they can and should be considered by citizens. In recent months strong private voices have been raised on both sides of the Atlantic on behalf of strengthened conventional forces. When this cause is argued by such men as Christoph Bertram, Field Marshal Lord Carver, Admiral Noel Gayler, Professor Michael Howard, Henry Kissinger, François de Rose, Theo Sommer, and General Maxwell Taylor, to name only a few, it is fair to conclude that at least in its general direction the present argument is not outside the mainstream of thinking within the Alliance. Indeed, there is evidence of renewed concern for conventional forces in governments too. . . .

A posture and policy of no-first-use also could help to open the path toward serious reduction of nuclear armaments on both sides. But just as a policy of no-first-use should reduce the pressures on our side for massive new nuclear forces, it should help to increase the international incentives for the Soviet Union to show some restraint of its own.

In sum, what we dare to hope for is the kind of new and widespread consideration of the policy we have outlined that helped us 15 years ago toward SALT I, 25 years ago toward the Limited Test Ban, and 35 years ago toward the Alliance itself. What should be undertaken, in both public and private sections, is a fresh, sustained, and careful consideration of the requirements and the benefits of deciding that the policy of the Atlantic Alliance should be to keep its nuclear weapons unused as long as others do the same.

# Haig backs London's NATO reorganization

by Lonnie Wolfe

It is perfectly lawful that the British policy circles pressing for a reorganization of NATO chose their loyal servant Robert McNamara as their up-front spokesman.

Though it was McNamara who shipped tactical nuclear weapons to Western Europe, he did so as a quick fix to psychologically bluff and threaten the Soviets, but never thinking that they would be used. According to sources in the defense community, McNamara and his sponsors in the policy establishment do not believe there will ever be a war in Europe or, for that matter, that the Soviets would ever deploy, for any reasons, their strategic nuclear forces. It is this utopian thinking that has governed the systematic dismantling of U.S. strategic capabilities, in favor of conventional forces for population warfare.

When the phony peace rhetoric of McNamara's *Foreign Affairs* article is stripped away, the McNamara proposal breaks down as follows. In the first phase, the United States and its NATO allies join the Soviets in a no-first-use pledge covering Europe. In the next phase, this is extended to the rest of the world. Strategic arsenals would become useless and then be eliminated.

Additional monies could be shifted into conventional arms. By removing the threat of nuclear retaliation, McNamara et al. could launch conventional warfare in the developing sector, either through surrogates or directly, without risk.

## Taylor's genocide doctrine

McNamara represents the civilian current of the utopian "no-win" conventional warfare policy pole within the NATO establishment, the networks most associated with the NATO Brussels headquarters and NATO General Secretary Luns. The utopian military current is most vocally represented in the United States by the former chairman of the Joint Chiefs of Staff during the McNamara era, Gen. Maxwell Taylor.

While Taylor will maintain some distance from the no-first-use pledge, in a series of articles in the *Washington Post* and elsewhere, he has repeatedly stated that nuclear weapons are useless for the wars of the future. Taylor, like McNamara, is a member of the Draper Fund for Population Activities, an organization which includes as its director Prince Phillip of Great Britain,

and is dedicated to the systematic reduction of world population levels by any means necessary. Taylor is one of their military strategists. In an interview obtained by *EIR* last year, Taylor reported that a study he prepared for the Draper Fund has caused him to conclude that more than a billion people in Africa, Asia, and Latin America would have to be written off—i.e., they will be eliminated through war, disease, or famine.

This genocidal chaos in the developing sector, Taylor argues, must be policed by the United States and its allies. Using rhetoric about "matching forces with missions," Taylor therefore concludes that U.S. and NATO forces must be redesigned into some modern-day equivalent of the British colonial forces.

This is the policy doctrine behind the Carter administration's *Global 2000 Report*, which recommends the reduction of world population by 2 billion people. This is also the policy, as this journal has documented previously, behind Alexander Haig's efforts to foment regional warfare in Central and South America.

Taylor, like other utopians, firmly believes that the Soviets will buy these "new rules," that they will allow the British-dominated directorate to depopulate the developing sector as long as the Soviet Union or its allies are not threatened militarily. At some point, however, this colonial warfare policy will alter the strategic balance, making nuclear war not only likely, but inevitable.

## A litmus test

Anyone who is currently focusing on the need for conventional deterrence or significant conventional force improvement in Europe as a *principal* problem for the NATO alliance is part of the same British-directed conspiracy as McNamara and Taylor. Similarly, anyone who is focusing attention to the problem of out-of-area NATO deployments is a British conspirator.

Carroll Wilson and his European Security Study (ESECS) fit the bill on both counts. In an interview obtained by this journal, Wilson made clear two basic premises of ESECS: 1) nuclear weapons are not useable and upgraded conventional deterrence must be the future direction of NATO policy; and 2) the alliance must concern itself much more with out-of-area deployments. Wilson makes his arguments from a number of standpoints, including those made by fellow ESECS member McGeorge Bundy in his co-authored *Foreign Affairs* piece, that the alliance can no longer politically afford the deployment of nuclear weapons.

The Wilson-ESECS strategy will eventually lead to a shift of focus away from the central front which it professes to study to some support role for out-of-area deployments by the British, the Americans, and the French. Statements that nuclear weapons are useless show a continued desire to maintain the Malthusian



**The Uncertain Trumpet**

economic and anti-science policies that have wrecked Western military capabilities over the last 20 years.

These utopians believe that, if necessary, they can threaten the Soviets with a nuclear strike with their new “miracle weapon”—the cruise missile. The United States plans to deploy nearly 10,000 of these cheap, million-dollar-a-copy, low-flying drones through 1988, regardless of whether any are deployed in Europe. The utopians think that firing the cruise en masse, large numbers of modern-day Nazi V-1 buzz-bombs, will make it through Soviet defenses.

### The British Directorate

The Atlantic Council study group reflects similar thinking. The major arguments in their published document, *Strengthening Deterrence*, can be summarized as follows:

It is no longer likely that the Soviet Union will ever launch a military attack on Western Europe; the penalty is too high. There is also too much of a reliance on nuclear weapons systems within the alliance, especially since the likelihood of deploying such systems in actual war-fighting is slim. Instead, the alliance finds itself weak in much-needed conventional forces and a credible conventional deterrent, says the study.

Military conflict in Europe, the study says, has been replaced by economic and political subversion by the Soviets. The continued reliance on nuclear weapons

exacerbates this problem by causing fear among European populations. A solution lies in increasing Europe’s contribution to a conventional force improvement.

The principal theatre of conflict, the council finds, will not be Europe but the developing sector. Out-of-area NATO deployments must be handled not through formal structures, but through informal arrangements among nations that have the capability. Nations like West Germany which have limited ability for military and political means to deploy out-of-area (i.e., out of Europe), should assist such deployments by picking up additional defense responsibilities within the alliance.

In private interviews obtained by *EIR*, spokesmen for the Atlantic Council were quite explicit about the form they intend for a reorganized NATO. NATO, said a member of the study group, would be divided into effectively two bodies—one more or less inert, dealing with the European front of NATO, and a second, informal directorate, to deal with out-of-area deployments, both dominated by British policy interests.

The first grouping would eventually evolve into some version of the old European Defense Community proposal for a European body within the overall NATO policy-making channels. This proposal, which would have as its major effect the reduction of the power of the United States within the alliance, was originally put forward by the British in the early 1950s and scuttled by the French.

The second grouping, the directorate, would be comprised of the British, the Americans, and the French. Its policies would be dominated by British colonial warfare doctrine for the developing sector. Their deployments, according to the Atlantic council spokesman, would “trample” concepts of national sovereignty, acting in total disregard of accepted practices of international law.

The Atlantic Council spokesman stressed that their main policy objective is refocusing NATO south—into the developing sector. There had been discussion of whether NATO should take on additional crisis-management functions such as control of trade with the East bloc. These problems, the spokesmen said, should be handled by other mechanisms outside of NATO, to avoid complicating the refocusing process.

### Dealing with opposition

Atlantic Council and ESECS sources recognize that there is opposition to their reorganization plans. For one thing, American patriots might resent being reduced to a deployable vassal of British policy-interests within the NATO command.

At least one important feature of the current Malvinas crisis, as defense community sources point out, is that it is considered an advertisement for the need to increase conventional force capabilities for so-called out-of-area deployments. But the crisis also contains

unanticipated pitfalls for the Atlantic Council-ESECS crowd by demonstrating general British military incompetence and a building resentment among the American people for continued British colonial doctrine.

It is also recognized that the current political composition of Europe is not right for the scheme. The backers of the British NATO organization plan, therefore, to use the peace movement and terrorist capabilities to destabilize and topple adversary governments, like that of Helmut Schmidt in West Germany. According to an Atlantic Council spokesman, by 1984, the European political map will be populated by right-wing neo-fascist regimes perfectly amenable to their doctrine.

The United States and Reagan administration present the greatest potential challenge to this conspiracy. While the administration is riddled with Anglophile traitors like Secretary of State Haig, the President himself remains skeptical of the conventional warfare doctrine. His statements on Soviet strategic superiority, while inadvertently fueling the rigged debate on nuclear

doctrine, is an attack on the McNamara-Taylor concepts from his own muddleheaded terms of reference. More importantly, there are still patriotic, traditionalist circles in the U.S. military establishment, who remember whom we fought in the American revolution, and why.

ESECS, the Atlantic Council, and McNamara and company are counting on the inability of these opposition currents to come together and formulate an alternative policy. Should that happen, the planned chaos and confusion of the coming period will provide the climate for their policy coup, and their reorganization plans will likely go through.

The proposals by Democratic Party figure Lyndon LaRouche and the National Democratic Policy Committee on military doctrine represent just the kind of perspective required to catalyze this anti-British, anti-colonial current in the military and the U.S. population. There are now two competing proposals on the agenda for NATO reorganization.

## Who's who on the Atlantic Council

*The following are members of the Atlantic Council working group on the credibility of the NATO deterrent. The New York Council on Foreign Relations is abbreviated as CFR.*

**Kenneth Rush**, co-chairman; chairman, Atlantic Council; CFR; former deputy secretary of defense.

**Brent Scowcroft**, co-chairman; CFR; former assistant to the President for national security affairs.

**Francis O. Wilcox**, project director; director general, Atlantic Council; CFR.

**Joseph J. Wolf**, rapporteur; former member, U.S. delegation to NATO.

**Theodore C. Achilles**, vice-chairman, Atlantic Council; CFR; former counselor to State Department.

**Robert R. Bowie**, see ESECS box.

**Richard Burt**, CFR; left working group to direct office of politico-military affairs, State Department.

**Arthur Cyr**, vice-president and program director, Chicago CFR.

**Robert F. Ellsworth**, president, Robert Ellsworth and Company; former deputy secretary of defense.

**Andrew J. Goodpaster**, see ESECS box.

**Lincoln Gordon**, CFR; former assistant secretary of state; left working group to join senior review panel, CIA.

**Joseph W. Harned**, deputy director-general, Atlantic Council.

**William G. Hyland**, Carnegie Endowment for International Peace; CFR.

**Lane Kirkland**, president, AFL-CIO; CFR; Trilateral Commission.

**Lyman L. Lemnitzer**, CFR; former Supreme Allied Commander, Europe.

**Jay Lovestone**, consultant on national affairs, AFL-CIO and ILGWU; CFR.

**Robert McFarlane**, former special assistant to the President for national security affairs; left working group to be special counselor, State Department.

**George McGhee**, CFR; former undersecretary of state; ambassador to West Germany.

**Henry Nau**, left working group to join National Security Council.

**Paul H. Nitze**, CFR; former secretary of the navy; left working group to become special arms control negotiator, Europe.

**Jeffrey Record**, senior fellow, Institute for Foreign Policy Analysis.

**Eugene V. Rostow**, former undersecretary of state; CFR; left working group to become director of Arms Control and Disarmament Agency.

**George M. Seignious, II**, former deputy assistant secretary of defense; and former director, Arms Control and Disarmament Agency.

**Helmut Sonnenfeldt**, guest scholar, Brookings Institution; CFR; former counselor, State Department.

**Robert Strausz-Hupe**, ambassador to Turkey; CFR; former ambassador to NATO.

## From the Atlantic Council study

*The following are excerpts from the concluding section of the Atlantic Council policy paper The Credibility of the NATO Deterrent, issued early in 1982.*

### Conclusions

First, the security of the allies can be endangered by events outside the NATO area just as much as by the threat in Europe, and by political warfare, whether at home or abroad, just as much as by the military threat. The defensive measures of the allies, whether within or without the alliance, must be equally ecumenical.

Soviet military strength cannot be permitted to dominate any friendly region, whether in Europe, Asia, Latin America, or the Middle East. The armed forces of the free world should be able to deter and check Soviet attempts to subjugate free peoples by fear or force, whether the threat be direct or indirect.

The allies should equally be able to help cope with the use of militant surrogates of the Soviets to subvert or overthrow governments friendly to the West without getting bogged down in another Vietnam. . . .

Second, the United States must, by its actions and attitudes, reassume the global responsibilities of leadership among the free world nations that cannot otherwise be fulfilled. The response of the European allies thereto is equally indispensable for the continued confidence and strength of the alliance. . . .

There is no reason why the European allies, particularly those which are now as well off as the United States, should not hold themselves to the same high standard of increased defense effort. . . .

The public support necessary for a common defense effort still depends on alliance-wide devotion to the concepts of self-help and mutual aid. If it exists, all other differences can be dealt with satisfactorily. Without it, the alliance will falter.

Third, deficiencies in conventional strength in a time when the West no longer has nuclear superiority must not be allowed to dangerously affect the credibility of the NATO deterrent strategy. . . .

Fourth, the reservoir of military reservists in Europe

should be tapped, first to provide a reserve for Allied Forces Central Europe and thus compensate for U.S. forces presently allocated to NATO, which may be required to protect the interests of allied nations outside the NATO area, and subsequently to further strengthen the conventional capability of the alliance. . . .

Fifth, the allies must be increasingly conscious of the risks of disagreements among themselves and together find ways to keep such differences to manageable proportions, recognizing that without political harmony there can be no common defense. . . .

Sixth, allied cohesion, and the political will to contribute separately and jointly to the common defense, depends upon public understanding of the issues. . . .

### Recommendations

The nations of the Atlantic alliance . . . should equally improve their means of defense, and jointly consider the following proposals:

1) Expand military capability so that challenges outside the NATO area can be met without affecting the credibility of the NATO deterrent.

2) Compensate for the contingent need to use perhaps two to three American divisions now earmarked for NATO in other areas by drawing on the reservoir of readily available European reservists and civilian resources to form equivalent replacement units.

3) Provide the means to establish the readiness of NATO's conventional forces by providing the equipment, manpower, and training now in seriously short supply, as noted in this study.

4) Increasingly accord to the role of conventional forces the priority required of them as the result of the passing of the period of Western nuclear superiority.

5) Proceed to deploy modern long-range theater nuclear weapons while continuing to seek satisfactory arms limitation agreements.

6) Be willing to join our allies in pressing for arms-control agreements which will enhance stability, particularly confidence-building measures.

7) In the longer term, increase the conventional-force level by organizing trained European manpower into additional reserve units.

8) Continue support for and the ability to reinforce the countries of the northern and southern flanks: particularly the political, economic, and military assistance needed by Turkey to play its full role in the alliance.

9) Seek to continually adjust the burdens of global defense so that nations which benefit from efforts in the common cause share more equally in the burdens thereof.

10) Make a major effort to break through the resistance to developing a more economic use of the defense production resources of the alliance as a whole.

## Taylor: 'NATO thinks demographically'

*This interview with former U.S. commander of forces in Vietnam Gen. Maxwell Taylor was made available to EIR last year, and printed in full in our April 14, 1981 issue. In it, General Taylor elaborates the importance of NATO for implementation of population-reduction policies in the Third World.*

**Q:** Is your paper ["World Population Growth and U.S. Security Interests"] intended for circulation within the new administration?

**A:** It was written as a strategic document. You should note that my report is already quite selective about what can be saved. I have already written off more than a billion people. These people are in places in Africa, Asia, Latin America. We can't save them. The population crisis and the food-supply question dictate that we should not even try. It is a waste of time. The Soviets are not about to save them, either.

There will be horrible consequences for our failure to heed the warnings of General Draper and others. These people will suffer from continuous cycles of natural disaster, famine, hunger, floods, drought. Upwards of 500 million people will try to escape, become refugees, flee across borders. Most of them will never make it. Some old fools and young ones may talk of trying to mount a noble effort to help these people, and I am sure we will try to do the humanitarian thing. But they can't be saved, and we must be selective.

**Q:** You mean that we should focus relief efforts on the countries you list.

**A:** We cannot even save all the strategic countries. We don't have the resources. The Soviets will make things very costly by stirring up trouble. What we must do is make some difficult choices. If we can get oil from places like Mexico, then we can write off Nigeria.

The demographics dictate that there will be breakdown crises in these countries. The Soviets may pick up a few, but they won't be able to keep them alive, either. They can't afford too many Cubas; it drains their resources. . . . They really don't look at the demographics

any differently than we do. It is just that they don't have to worry about what their population thinks about difficult political decisions, ones that write off millions of people. There is not enough food or capital to save everybody. To save a few, it will take hundreds of billions of dollars. Each will have to reduce population growth rates, and population where necessary.

**Q:** Do you have a sense of whether Bill Draper would take the General's views into account in running the Eximbank?

**A:** It's an excellent thing that the boy is going to take it over. I've known him for years; he's a good boy, just like his father. But he won't be able to do much at the bank. What does he have to work with—a couple of billion dollars? He can do some seed work, not much else. It's going to take all the money in Europe and all the petrodollars to make even a credible effort at saving a few countries; the boy knows that.

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***"There are only two ways of preventing a world with 10 billion inhabitants. Either the birth rate drops or the death rate will rise. There are, of course, many ways to make the death rate increase. In the thermo-nuclear age, war can take care of this very quickly and in a definitive way. Famine and disease are the two oldest."***

—Robert Strange McNamara, former U.S. Secretary of Defense, former President of the World Bank

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**Q:** How is population policy shaping up elsewhere in Washington?

**A:** There is no real population crisis response mechanism in the U.S. government. Ideally, the National Security Council would become a National Policy Council and expand its function to implement population policy. For now, decisions will be made through the NATO command, which thinks demographically. Their decisions must be imposed with the full weight of the West. The Soviets are aware of this; they will conduct limited surrogate warfare for certain areas. They will not fight a world war over areas of the world they don't need. These are the rules of the modern game.

**Q:** Were you personally close to General Draper?

**A:** Yes, I admired him very much. He was wonderful person. I heard my first lecture on the population explosion at the Army War College in 1940. . . . MacArthur never really understood this. He was really wrong.

At this point in human history, a population-induced catastrophe is unavoidable. We must plan for it. We started to deal with the population problem far too late to spend more wasted time. . . .



## **ESECS: 'We will shape NATO debate'**

*The following are excerpts from a Feb. 12 interview with Carroll Wilson, director of the European Security Study group, which was made available to EIR:*

**Q:** What are the basic premises of the study?

**A:** Our major goal is to design a functional military doctrine for NATO in the context of the changed economic and political situation of the 1980s. For the first time, the potential exists for the creation of a conventional NATO deterrent force. I am talking about the idea that conventional forces are the principal deterrent to war, not nuclear forces. I think that we have to accept that there is a continuing depression in the Western economies and that this downturn will last well into the decade. The other factor is the growth of political opposition to the idea that Europe might become a nuclear battlefield. This makes the deployment of any new nuclear weapons systems highly problematic.

**Q:** You mentioned growing economic problems. . . .

**A:** Yes, and what that means is that we must make choices. We need a policy that is both affordable and doable. The time has come to reverse our outdated reliance on nuclear forces, and to look at the kind of cheap, affordable conventional weapons systems that can do the job for the alliance. The doctrines of the 1970s will not work in the 1980s and that means that real deterrence must not depend on nuclear forces.

**Q:** You seem to be talking about restructuring the NATO command as well.

**A:** Absolutely. We are examining in the study a 1,400-mile-long front that is the joint responsibility of several nations. We are looking at the changing character of that front-line deployment, and that implies that we will change the character of the command structure as well. We are evolving towards the Europeans taking more responsibility for their own defense, and that means that they must be willing to make a greater contribution as well. Our study will be making specific recommendations.

**Q:** Would you say that your arguments for conventional readiness are similar to those of Gen. Gert Bastien, one of the theoreticians of the peace movement, who argues against the emplacement of Euromissiles and for an improved conventional deterrent?

**A:** I find it a positive development that the leaders of the peace movement support such an idea. The fact that they are thinking about such things is not at all bad. It is their arguments for unilateral disarmament that are crazy. And here we disagree strongly. The Soviets cannot be allowed to maintain any advantage in Europe, so we must improve our conventional forces. It is not a one-for-one match-up that is required, but we have a long way to go to make a conventional deterrent credible so that nuclear weapons are really a last resort.

**Q:** What do you think of U.S. Defense Secretary Weinberger's program?

**A:** I do not want to comment on a specific program, because I am the director of the study. When we release our papers and reports, you'll know where we stand. Look, we are a bunch of private citizens from four countries who think that we need a new, fresh examination of defense policies. If there wasn't something really rotten about our defense thinking now, my friends and I wouldn't be working so hard on this study. The present policies are no good.

**Q:** Do you think that the NATO decision to deploy the so-called Euromissiles will be carried out?

**A:** I don't know that it is politically feasible anymore. But I am convinced that their deployment, were it to take place, would not be sufficient to make NATO viable. I am saying that we have to look at the idea that nuclear deterrents in Europe may break down. Our goal is not to make nuclear weapons the first line of defense, which they are now, but the last. Therefore, you need a conventional build-up of forces, in a ready condition, that becomes a real deterrence.

**Q:** What is the study's schedule?

**A:** Late this fall, we will be issuing a series of papers, which may be published as a book. These will be preliminary to our final report, to be issued in January 1984. In the interim, we will hold private workshops on various issues. These will develop the substance of our proposals. By the time the final report is released in 1984, we'll be right in the center of major election campaigns in the United States, Britain, and the Federal Republic of Germany, and that is exactly where we want to be. We want our report to become an election issue, and I can guarantee that it will. We feel that we will help shape the debate on NATO, as we discuss our proposals over the next two years, and when we issue our report.

## **‘NATO will trample on nation-states’**

*The following are excerpts from a mid-March interview with a former NATO official and current member of the Atlantic Council study group on defense posture, made available to EIR.*

**Q:** What do you think of recent proposals for an increased reliance by NATO on conventional defense, and the creation of some variant of the European Defense Community idea within NATO?

**A:** It is our thinking that there has been a wrongly placed over-emphasis on nuclear and battlefield nuclear. I think that we have a wonderful opportunity to move on these issues now. The peace movement is a real boon to what we want to accomplish. It has raised people’s consciousness about the nuclear issues. Ironically, many of their leaders are not unwilling to support—albeit tacitly in some cases—the idea that we are pushing that improvement of conventional defenses raises the nuclear threshold.

**Q:** What about [Carter administration arms control negotiator] Paul Warnke’s recent statement that there really is no nuclear umbrella over Europe?

**A:** He is right. There really hasn’t been one for some time. No American President would respond to a non-nuclear attack with nuclear weapons launched from the United States. That was Schmidt’s reasoning on the Pershing and cruise deployment, but it is clear that for a nuclear umbrella to really be in place, there must be an unequivocal willingness to use nuclear weapons and that is not the case now.

**Q:** Do you see this as the lawful evolution of NATO doctrine?

**A:** Absolutely. Few people understand the significance of the original NATO treaty. It marked an end to the idea that the United States alone could deter wars with its own forces and its own nuclear arsenal. There were many who said “let Europe take care of itself.” But with

the help of our British allies, we reversed isolationist opinion in the United States and committed ourselves to a defense of Europe.

But even in the beginning, we had received notice with Korea the conflict would not be confined to Europe alone. Now we have reached the conclusion, and say so in this study, that we no longer feel that a Soviet attack on West Europe is likely. The risk is too great. The greater threat is political and economic subversion—and that cannot be deterred by military means. Now the NATO allies must look at the map of the world and recognize realistically where the threats are—and they are outside of the NATO theater. In this type of situation, our most realistic defense posture is a credible conventional defense that means that the Soviets would not be able to blackmail Europe, that they would not be able to occupy it easily.

**Q:** How would NATO be made credible?

**A:** The most important question to look at is the question of out-of-area deployment and how the developing sector “theater of conflict” will be managed. It is foolhardy to think that NATO as a whole could deploy into an area like the Persian Gulf or East Africa. It is utopian to think that 15 parliaments could agree on a single line of policy in a case where a member of the alliance did not come under direct attack in Europe by a Warsaw Pact member. That being the case, you examine the capacity to respond. There are three NATO members with such capabilities, in varying degrees of readiness—France, Britain, and the United States. What happens is that these three NATO countries agree, informally, to coordinate policy to respond to crises. Then quiet arrangements are made by other NATO allies to pick up a burden of responsibilities that might have to be shifted from the NATO theater to deal with such contingencies.

I can tell you that this is already in process. The State Department is fully agreed on this idea of an informal British-American-French directorate as the center of NATO. This group will deal with primarily developing-sector conflict and will divide responsibilities, again, informally. For example, the French could easily handle parts of Africa, the British will be of help in the Mideast and the Gulf. I’m not talking about multilateral force, but less formal operational arrangements and policy coordination. You have to keep these arrangements quiet. After all, what we are talking about is doing things in some areas of the developing sector that will trample all over certain sovereign nations. You don’t want such things debated out in the open. You just do it, quickly and quietly.

**Q:** How does this concept relate to the European Defense Community proposals and other ideas?

**A:** The EDC or some arrangement like it is a natural evolution within the framework of a reoriented NATO. When it was tried out before and rejected, Western Europe was incapable of standing on its own without the U.S. nuclear umbrella. While I am not saying that we would remove the umbrella, Western Europe is now capable of contributing much more to its own defense.

**Q:** What is your thinking on the talk of Europe becoming a "Third Force"?

**A:** It won't happen. There is no real sentiment for it in Europe. They don't want to go neutral. The most likely outcome will be a realigned NATO along the lines I have described, a conventional-based EDC component, under NATO command, backed by a U.S. umbrella should it be hit by Soviet nuclear weapons, with U.S. troops still present, though perhaps eventually reduced in numbers.

The NATO allies will tacitly agree that those members who can—France, the U.S.A. and Britain—will deal with crises outside of Europe. . . . We have a good argument and the peace movement is not really opposed to it.

**Q:** Aren't the Soviets trying to make things more difficult for NATO in Europe?

**A:** The Soviets think they're smart building up the peace movement. But what is coming is a reaction to the peace movement, and that reaction will place "law and order"—right wing, if you will—pro-NATO governments in power. Europe will also be significantly realigned over the course of the next 20 months, and these new governments are the ones that will carry out our policy. Look at Italy: topple the present government and you get Craxi. In Germany, Schmidt will fall and that is for certain. If he falls, you get a Christian Democratic Union-Free Democratic Party coalition, more pro-NATO and so forth. I am not saying that all these new governments will be "right-wing" in the traditional sense. You'll have things like Craxi, who is the right wing of a left-wing party. But you won't have people like Schmidt who try to straddle the middle. Europe will be polarized and that is always a good time to introduce a new policy.

**Q:** How do you plan to promote the Atlantic Council's proposal?

**A:** Some people urged that we call a NATO ministerial meeting and lay everything out quickly. We said no. Communiqués from such meetings don't mean anything. We want implementation. The way to get it is to surround policy makers with these ideas, all ready for implementation. Then you wait for a crisis to develop, for changes in governments and cabinets and you push these ideas out into the open. But first, you get everyone debating strategy and doctrine. That is how we are proceeding, and with a little luck, we'll make it.

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## Interviews

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# 'Falklands a model for new NATO push'

*According to U.S. defense analysts, the Malvinas/Falkland Islands crisis is the first example of the increasing need for NATO readiness to intervene into the Third World. Excerpts from recent interviews made available to EIR follow.*

### 'Crisis strengthens RDF concept'

*A prominent defense analyst with close ties to NATO's civilian command, April 6, 1982.*

**Q:** Doesn't the Argentinian-British showdown raise questions for NATO as a whole?

**A:** This will force Britain to wake up and start getting its military straight. It is not a superpower and never can be, but it can't be bullied around by two-bit Latin dictatorships either. It needs to be able to project force into the developing sector. That's the point. You need something to deal with the new theater—the developing sector—without abandoning Europe completely. This requires Europe to pick up more. To make things work, you need informal arrangements between the British, the French, and the Americans, with the Americans in the center. These are the powers that can project out of area. This crisis is like an exercise, even if it may get out of hand.

**Q:** This will have some impact on the defense debate here.

**A:** Or what passes for one right now. In a sense it strengthens both types of Rapid Deployment Force ideas—the sea-based one and the air-lift capacity. You can't have it taking three weeks to get somewhere. But as long as you have an airlift capacity for where it is appropriate, it's not so bad to have some time to set up negotiated deals while you sail onto the scene. But it shouldn't take us as long as it's taking the British.

### 'Fighting will be in developing sector'

*A Heritage Foundation-linked military analyst, April 6, 1982.*

**Q:** How do you estimate the impact of the Falkland Islands crisis?

**A:** Regardless of how it is settled, the real victor is the

doctrine that says you need to be able to inject conventional forces into the developing sector and actually be able to fight there. Strategic forces are no good at all in these situations, and that is a real shocker to some people who think that strategic forces can solve everything. So if choices are being made, I say get your conventional forces ready and make sure they can be deployed in the right configuration, not anchored in Europe. The idea of sea-based land power, supported by sea-based air power, is what we need to get ready for the battles of the next decades.

**'This is the first battle of the new era'**

*A defense analyst involved with the Atlantic Council study on Western defense in the 1980s, and former adviser to leading Congressmen on military affairs, April 6, 1982.*

**Q:** What effect will the Falklands crisis have on British military doctrine and NATO policy?

**A:** I'm not saying that Britain is going back to the days of its colonial empire. But they are going to be credible and they are going back to basics, so to speak, on the naval doctrine they developed. That is the key—the sea-based projection of military force into the developing sector, with sea-based troop-marine capabilities, augmented by U.S. airlift capabilities. We are looking at the first battle of the new era—whether it comes to actual fire or not. This is a confrontation in the military theater of the next several decades—the developing sector. It is better than a war in the Gulf, since it demonstrates greater logistical problems. Carrington boasted that you didn't need the British Navy any more, that all you needed was a few Trident submarines to have a credible nuclear deterrent. Garbage. To be real nowadays, you need the ability to project conventional forces into remote regions.

**Q:** Does the crisis create problems for the British-American relationship?

**A:** Yes. I know of a meeting that took place recently between senior British and U.S. military officials to discuss the idea of coordinating NATO out-of-area deployments through a new type of directorate. The conclusion was reached that the Carrington-influenced doctrine that consigned the British Navy to oblivion stood in the way of really implementing anything. . . . So these military people said the best thing that could happen was for Carrington to get canned.

**Q:** What impact will the crisis have on the domestic defense debate?

**A:** It will make the case for sea-based projection capabilities. It will strengthen—within limits—the arguments of those who say that we need carrier task forces capable of injecting troops into the developing sector.

## LaRouche outlines counterplan for NATO restructuring

In response to continuing British blackmail against President Ronald Reagan, Lyndon H. LaRouche, Jr., proposed on April 16 to call the British bluff. LaRouche, a probable candidate for the 1984 presidential nomination of the Democratic Party, today proposed a sweeping reorganization of NATO and of related features of the United States' transatlantic military treaty organizations.

"Despite the noisy tradition of Benedict Arnold currently visible within parts of the executive branch and Congress," LaRouche stated, "the Monroe Doctrine is the current law of the United States. The Senate has ratified the Havana Treaty of 1940, the Chapultepec Treaty of 1945, and the Rio de Janeiro Treaty of 1947. Therefore, by law, Britain is embarked upon an act of war against the United States.

"Against this fact," LaRouche continued, "The British and their agents of influence have circulated two blackmail documents against United States' enforcement of its own law, the Monroe Doctrine. The chief point of blackmail by the Ayatollah Thatcher government's friends is the threat that Britain will pull out of NATO. The second point of blackmail is financial; not only does London threaten to collapse the U.S. dollar, but the argument is made that the United States is so poor, and its Congress so craven that it could not defend itself adequately without the aid of the formerly-industrialized nation known as Britain.

"It is time to call the British bluff on both counts. Therefore, I outline a proposed sweeping reorganization of NATO. I also identify, once again, the means at the disposal of the President and Congress for organizing an economic boom in the United States," the former 1980 Democratic candidate continued.

### Two key measures

The kernel of LaRouche's proposal for reorganization of NATO is twofold: strip away the civilian apparatus associated with Joseph Luns and his cronies, and

reorganize NATO as a classical form of military general staff.

“Each allied nation should bring its own military command into classical general-staff form, and the general staffs of the allies should be interlocked to form the NATO General Staff.” This is the gist of the former Democratic Party candidate’s proposal.

“We must end,” LaRouche emphasized, “the emphasis upon inter-service budgetary rivalries among arms within the alliance and its participating nations. Military services must never become competing arms of warfare, but must be complementary and integral facets of a total, coherent logistical and war-fighting capability.

“Each nation must retain its own sovereign war-fighting capabilities, even at some costs of redundancy within the alliance as a whole. Otherwise, the tendency for budgetary warfare among naval power, air power, and ground-fighting power is a form of insanity which must promptly cease.”

LaRouche described these positive recommendations for NATO reorganization. “I am merely stating what is obvious to any qualified member of the military professional tradition of the United States. These are principles which revolutionized warfare under France’s Lazare Carnot, during the middle of the 1790s, principles copied and developed by General Scharnhorst and others in the Prussian reforms of 1809. These are the tested principles of the American military experience, even more appropriate in the thermonuclear age than at any earlier time.”

He continued, “It is the negative features of present NATO organization which must be emphasized, even among many of those field-grade and flag-rank officers who understand with greater or lesser degrees of excellence the principles of general-staff organization.

“It is undoubtedly the best choice in this connection,” LaRouche argued, “to focus attention on the compelling reasons President Charles de Gaulle pulled France out of NATO during the middle of the 1960s. As former Prime Minister Michel Debre has stated, not only was NATO engaged in efforts to overthrow the French government, but officials of NATO were implicated in aid of assassination-plots against de Gaulle himself.

“In addition to the military functions of NATO, centered around the political secretariat is a mass of assorted sociologists, psychologists, futurologists, and kindred civilian elements, typified by former OECD official Dr. Alexander King, and directed chiefly by a psychological-warfare branch of British intelligence, the London Tavistock Institute. This aspect of NATO was the conduit for subversion against France during the 1960s and has been the chief conduit for ‘clockwork orange’ varieties of operations deployed under the 1969

NATO ‘strategy of tension’ deployment of ‘environmentalist’ and international-terrorist elements.

“This fruit-cake side of the NATO organization must be closed down, and the lunatics sent back to the Tavistock Institute and other cookie-factories at which they were originally half-baked,” LaRouche emphasized. “The remaining, legitimate aspects of our military-alliance organizations must then be reorganized simply as a military general-staff functions.”

### **Tavistock riddles NATO with incompetence**

LaRouche insisted that the aspects of NATO linked to Tavistock and Joseph Luns are worse than unwholesome parasites. “The effect of Tavistock futurology upon NATO strategy is to make the military policies of NATO more or less wholly incompetent.

“If I state the policy-issue as briefly as possible, the conflict between Tavistock and strategic competence in NATO command is defined historically as follows,” LaRouche began his short outline of the problem.

“Modern military science is most efficiently understood in terms of two broad phases of its development. The first phase began in Italy during the 15th century, typified by the successive contributions of Plethon, Leonardo da Vinci, and of da Vinci’s collaborator, Niccolo Machiavelli. The second phase was launched by Gottfried Leibniz during the last quarter of the 17th century, and was essentially completed in respect to principles of military science, with the Prussian reforms of 1809-13.

“Reduced to their most essential terms, the policies of republican military science today include these: the training of the able-bodied citizenry of a nation as its qualified war-fighting reserve in depth; the development of the economy as the logistical basis for war-fighting and for equipping combat forces with modern technology; the introduction to the application of these two ground-principles of the notion of technology created by Leibniz.

“Exemplary of Leibniz’s contributions to military science as such are Leibniz’s specification of the urgency of developing the cartridge shot and breech-loaded weapons, a means for increasing qualitatively the firepower of republican military forces, and for generating a revolution in the mode of war-fighting on that basis.

“In brief, Leibniz applied to military science the same principle he employed for his creation of modern economic science. In both, the issue is the development of ever-improved heat-powered machines, to the effect that one man (as workman or soldier) may be as effective as ‘a hundred others’ lacking such improved means. Weapons-revolutions do not eliminate the single citizen-soldier; new weapons increase the power and importance of that soldier, and also increase the level of

cultural development required of that soldier.

“Leibniz’s approach to military science influenced leading circles in France throughout the 18th century, with results put into operation with concerted effect by Lazare Carnot during the middle of the 1790s. The Prussian reformers of 1809 directly copied and built upon Carnot’s reforms, establishing the modern general-staff principle of military science.

“The general-staff principle is an integral aspect of a total science of Republican statecraft. The essential, non-combat functions of the general staff are to specify and foster war-winning qualities of logistical, general production-level, and technological potentials of the economy, at the same time as developing the individual citizen as variously a professional soldier or a qualified member of the military reserves. The development of people requires certain standards of general education and culture, as well as specifically scientific and technological competencies.

“Such a development creates a mass of potential war-fighting capabilities whose quality can be measured as an analogue of energy-flux-density. The military problem is to shape the deployment of this potential, geometrically, to neutralize the war-fighting potential of an adversary. The adversary’s will to continue fighting must be broken, if possible. More fundamentally, his capacity to continue effective warfare, however stout his persisting will in the matter, must be neutralized, using combined means for destruction and disorganization.

“These are the assignments the political command of a democratic republic delegates to its military general staff. This is the approximate line of division between the political command of the republican state and the delegated functions of that state’s military professionals.

“In opposition to these principles of military science, the Tavistock-influenced components of NATO have used the political privileges of NATO to conduit a ‘technetronic post-industrial society’ policy against the governments and policy-influencing institutions of both NATO member-nations and other nations. In consequence of the success of such Tavistock-led subversion, present NATO military policy is a balance between an assumedly unusable thermonuclear-deterrent capability and a contraction in scale and quality of so-called conventional forces.

“The spread of drug-usage and illiteracy in volunteer ranks of the U.S. military services is exemplary of this general problem.”

LaRouche stated, “I laugh with a sense of woeful tragedy whenever I hear Soviet sources and their Western echoes speaking of an alleged Reagan arms-race. Except for continuation of Carter administration policy for deploying updated Nazi V-1s and V-2s into Western Europe—the cruise and Pershing missiles—it is the

Soviet Union which has been conducting a single-handed, unilateral arms race during most of the past ten years.

“It is true that, beginning February 1977, the United States and NATO have been escalating geopolitical strategic confrontation against the Warsaw Pact, aggravating this by forward-based thermonuclear assault-postures. Yet, at the same time, the NATO countries have been destroying their in-depth military capabilities, while Moscow has been arming at a furiously-accelerated pace in depth. The weaker we make ourselves, the

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*“The kernel of LaRouche’s proposal for reorganization of NATO is twofold: strip away the civilian apparatus associated with Joseph Luns and his cronies and reorganize NATO as a classical form of a military general staff.”*

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more adventurous we become. Our strategic posture has become lunatic desperation born of our refusal to cease destroying the foundations of our strategic potential.

“Naturally, Moscow, which has lived under the anxiety and other pressures of a 1947-82 continuing superpower conflict, seeks to exploit every visible opportunity it deems prudent for perpetuating and increasing the self-imposed weakness of the economies of the transatlantic alliance.

“As long as we tolerate the lunatic anti-nuclear movements, and tolerate the madmen of the cult of the ‘technetronic post-industrial’ utopia, we shall become ever weaker. The result will be either thermonuclear war born of desperation, or ultimate assimilation by the spread of Soviet power.

“NATO and its OECD adjunct have been among the principal coordinating agencies for spreading among the alliance-nations a mixture of Malthusian economic suicide and lunatic varieties of military policies to match. It is Joseph Luns and the Tavistock overreach within NATO which typify the worms and viruses destroying NATO from within. We should lose nothing, therefore, by ridding ourselves of such elements of NATO.”

### **Economic rearmament**

LaRouche turned, then, to the question he described as “our ability to replace the capabilities lost by the withdrawal of a treacherous Britain.”

“Our chief problem is the Congress’s and administration’s combined, continuing folly, in supporting the

British 'free trade' system against the American System of political-economy. Were I President, armed with what I know concerning proper dealing with the news media and certain problems within the Congress, I could mobilize an economic boom within the United States immediately. Under conditions of economic boom, I would have no great budgetary difficulty in more than replacing the military capabilities of a mere formerly-industrialized nation such as Ayatollah Thatcher's Britain.

"The measures needed are these.

"First, ruin every member of Congress up for this year's election unless that Congress supports the President's actions to stop the new world economic depression. Fire Volcker, slap Hamiltonian forms of regulation upon the U.S. national-banking system, and issue several hundred billion dollars of gold-reserve-denominated U.S. treasury-notes for lending to goods-producing agriculture and high-technology industry as well as certain needed items of basic economic infrastructure.

"The federal tax-revenues would be automatically increased at rates of more than \$200 billion within a year or so.

"In other words, shut down the growth of the money markets, and channel low-borrowing-cost credit in hundreds of billions of dollars to crank up high-technology agriculture and to absorb nearly the entirety of our idled skilled and semi-skilled labor-force components in either building essential transportation, water-management and energy infrastructure, or in employment in goods-producing sectors such as manufacturing, construction, mining, and related categories of high-technology engineering and scientific research. This requires no general tax-increase, but only closing of tax loopholes for income derived from sources other than goods-producing investments.

"In the Western Hemisphere, take the rust from the Monroe Doctrine. Deploy a Western Hemisphere 'Marshall Plan' for development of high-technology agriculture and modern capital-goods industries, together with the essential economic infrastructure of transportation, water-management systems, and high-technology energy-production needed to make agricultural and industrial investments successful.

"In that environment, to the extent the United States requires military expenditures, we shall produce what we require 'like pancakes.'

"It was not fighting a war that enabled Roosevelt to overcome, finally, the Great Depression of the 1930s. It was cranking-up the civilian economy to provide the logistical basis needed for war-fighting which overcame the last depression. By steering low-cost credit, created by government, through the banking-system, and limiting the use of this credit chiefly to high-technology goods-producing employment, we can transform a

depression into an economic boom at any time we exert our national will to produce such a result."

### **A world-winning strategy**

"Our long-term strategy must be to transform the greater portion of the populations of the developing sector into both our durable allies and our growing market for the high-technology export-goods produced by our children and grandchildren.

"The key to this is rapid development of energy-production, fresh-water management systems, and transportation systems. We must aim to produce, in the United States, approximately 100,000 annual kilowatt-hours per person of electrical or equivalent heat-process energy by early in the coming century. We must also aim at bringing the energy-production levels of most of the world up toward similar values during the early decades of the next century. Electrical and equivalent energy produced per-capita is the determinant of the potential productivity of nations in agriculture and industry. This is the key limiting condition on which the future purchasing power of nations depends.

"We must transform our economy into a major exporter of high-technology capital goods and related categories of engineering services. We must concentrate our export-strategies in collaboration with Japan and Western Europe on three basic categories of investments by developing nations:

- "Increasing the per-hectare and per-man-year yield of agriculture while increasing the extent of agricultural land in use, using advanced technologies for this purpose.

- "Investments in such key elements of basic economic infrastructure as high-technology energy-systems, transportation capabilities, and water-management systems.

- "Investments in those categories of capital-goods industries such nations require locally to service both agriculture and basic economic infrastructure.

"Consumer goods industries will develop as a by-product of increased productivities and per-capita incomes generated in agriculture and capital-goods industries.

"That is our vital, long-term national interest as a constitutional form of democratic republic. It is to defend that interest that we must be prepared to wage war if necessary.

"However, if we pursue that interest, and invite the Soviet Union to cooperate with us and our allies in furthering that great world-development task, there is no circumstance under which a sane Soviet leadership would consider war against us.

"It is from that vantage-point that NATO must be reorganized and our agenda of negotiations with Moscow be radically changed in contents."

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## The strategic stakes in the Malvinas question

by Robyn Quijano, Latin America Editor

President Reagan was given a stiff warning April 30 of humiliations to come if he refuses to wield American might against the British colonialist invasion of the Malvinas Islands. Eighteen of 21 nations, the overwhelming majority of Latin America, voted up Argentina's request for consultations under the rubric of the Rio Treaty, the security pact that echoes the U.S. military obligations of the Monroe Doctrine to defend the Western Hemisphere from outside aggression.

As the United States abstained from the vote—part of a pitiful minority of three nations—British Foreign Secretary Francis Pym politely announced that it would hardly be fair to force President Reagan to *openly* back the British. Pym traveled to Washington April 22 as the British fleet approached the Western Hemisphere, to try to insure that any last thought the President might have of imposing the Monroe Doctrine against Britain's blatant colonial aggression would be put to rest—along with the remnants of the United States' status as a sovereign nation-state and a world power.

The invoking of the Rio Treaty at the Permanent Council of the Organization of American States called the question on the United States' supposedly neutral stand in the crisis. America's abstention made Secretary of State Alexander Haig's transparently one-sided shuttle diplomacy for the Queen official U.S. policy. With this first official capitulation to the Crown, the humiliation of the United States, its isolation and impotence to act as anything but "a cock boat in the wake of a British man of war," has begun.

The United States is on the verge of losing all influ-

ence among all the nations of Latin America; a shooting war is set to erupt between the British and the Argentines that would guarantee that result. And its consequences would go far beyond the Western Hemisphere, as Reagan is already being tested around the globe, beginning with the massive Israeli bombing of Lebanon on April 21.

As Lyndon LaRouche of the National Democratic Policy Committee analyzed this process on April 7, "During the period the United States and Britain are occupied with war in this hemisphere, it is nearly certain that a chain reaction will be unleashed in the Middle East. At some time beginning on or about April 26, Israel will invade Lebanon in force, acting under secret agreements reached earlier between Israel's government and President Hafez Assad of Syria."

LaRouche's warning that the world's hotspots would careen out of control is already being borne out.

### Haig versus Latin America

The Argentines initiated procedures to invoke the Rio Treaty on April 19, while Alexander Haig was flying back to Washington after four days of negotiations in Buenos Aires. The Argentine action was widely recognized as a rebuff of Haig's shuttle diplomacy, and a warning to Washington that the Argentines would not agree to Haig's presentation of British Prime Minister Margaret Thatcher's non-negotiable demand that "no first step can be taken until Argentinian withdrawal" from the islands. In invoking the Rio Treaty, the Argentine government sent a direct message to Presi-

dent Reagan that choosing so-called NATO treaty obligations to Great Britain over actual U.S. obligations to the Western Hemisphere would be costly.

According to Latin American press accounts, Argentina's President Galtieri spoke to President Reagan by phone before Haig arrived and during the negotiations. The Argentines considered Haig a "negotiator for Britain, especially when he made a reference to Anglo-American treaty obligations."

The Argentine government's desire to negotiate directly with Reagan was based on its understanding that Haig does not always represent the President. A rumor had circulated during Haig's shuttling that Reagan might ask for Haig's resignation because he had refused to follow presidential orders. Why, then, is Reagan apparently capitulating to the British now?

Prime Minister Thatcher is reported to have demanded that Reagan "be done with this even-handedness" and fall into line behind Britain, or else.

The "or else" was spelled out by the London *Sunday Telegraph*, which threatened that a U.S. failure to back Britain would force Western Europe to break militarily with the United States and form an independent power bloc. "America's refusal to defend Britain need not be as disastrous as it sounds if anti-Americanism can be transmuted into robust pro-Europeanism," wrote columnist Peregrine Worsthorne.

This is the threat that has been used to club Reagan into line. To make sure he gets the point, the British press has begun to attack the President personally as the captive of "narrow-minded, southern-dominated isolationists."

Meanwhile, the Eastern Establishment media in the United States have worked overtime in praise of the British monarchy. The *Washington Post* editorialized, "Now that Argentina has made American mediation pointless, the administration will be free to take a position based on alliance considerations"—that is, openly back the British.

Syndicated columnist Joseph Kraft, in a piece headlined "On Behalf of Britain," attacked the "totalitarian" Argentine government while fawning over the beauties of British colonialism. Writing the American Revolution against the British Crown out of world history, Kraft gushed, "So intimate are the connections, so ingrained the habits of cooperation, that even without trying, the United States and Britain work together."

But the mood is quite different in Latin American capitals. There NDPC demonstrations in the U.S. have been covered widely in the mass media as the action of "the Democratic Party faction supporting the Monroe Doctrine."

The Venezuelan daily *El Universal* reported April 14 "There is now emerging in the United States popular support for Argentina's cause. The influential politician

LaRouche has issued a declaration calling on the Reagan administration to apply the Monroe Doctrine of 1823 . . ." *Diario de Caracas*, another Venezuelan daily warned editorially that the United States has set a "nefarious precedent" by not applying the Monroe Doctrine to stop the British fleet from entering the Western Hemisphere, and will not be able to apply it if Soviet ships enter Caribbean waters.

### **Latin America demands sovereignty**

The lineup of Latin American nations behind Argentina shows that these countries know precisely what Great Britain is up to, and remember well what the Monroe Doctrine should be—a guarantee of their national sovereignty against oligarchical intervention.

Despite the British railroads through the United Nations and OAS, all the major South American nations but Chile agree on Argentina's sovereignty over the Malvinas. Most vehement has been Venezuela, whose Foreign Minister Ambrano raised the Drago Doctrine in his speech to the United Nations. The Drago Doctrine, developed by an Argentine jurist to counter the so-called Roosevelt corollary to the Monroe Doctrine (Teddy Roosevelt's 1902 justification of U.S. military action in Venezuela to collect debt for Great Britain), states that no power can use force to attempt to collect foreign debt. The Drago Doctrine, like the Monroe Doctrine and the Rio treaty, is considered part of hemispheric international law.

Venezuela has also led a move within the Latin American Economic System to impose economic sanctions on Britain. This could include cancellation of oil concessions and plane purchases. On this flank, however, Argentina's Latin America allies and potential allies remain extremely vulnerable: and the economic warfare front is where Britain has pressed its attack.

After five days of what may have been the most intensive political pistol-whipping in the history of the European Community, all ten EC countries agreed on April 17 to a ban on all imports from Argentina. Britain is known to be spreading the word that these sanctions can be extended to those countries which aid Argentina, and that all such countries face potential cutoffs of credit.

Mexico and Brazil have been extremely cautious about what they say or do in support of the Argentines. Brazil is already behind on gathering the enormous \$17 billion in loans that it needs this year, with circles around Finance Minister Delfim Neto arguing that the only way to get the loans is to do Britain's bidding. Following the forced devaluation of its peso in March, Mexico now also faces the destruction of its development programs and political destabilization, at the hands of the same interests which have sent warships steaming into the South Atlantic.

# The oil weapon in the Gulf war

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*Judith Wyer analyzes threats to the finances, diplomacy, and even the oilfields of Saudi Arabia, Iraq, and their partners.*

The dwindling world oil markets have become an arena for the rivalry between the moderate Arab states of the Gulf supporting Iraq and the British-backed radicals allied to Khomeini's Iran in the Persian Gulf war.

By drastically undercutting the price of oil charged by Saudi Arabia and its neighboring emirates, Iran is hoping to erode their oil income and impede their ability to continue to fund Iraq's war effort. Already having provided up to \$20 billion to Iraq, the Gulf states are under pressure to extend further financial aid following Iran's push-back of occupying Iraqi troops in late March.

The Gulf states have already decreased oil exports substantially, which has cut into revenue. The secretary general of OPEC Mana Said Oteiba announced OPEC exports plunged from 17.5 mbd to 18.8 over the last month, nearly half OPEC's total exports from the record year of 1979. Now these states are looking for ways to both maintain their development budgets and aid Iraq; they are considering liquidating certain foreign assets in order to avoid going into deficit.

For Saudi Arabia and its neighbors, supporting Iraq is an urgent security issue. They view the fight against Khomeini as an integral part of the Arab-Israeli conflict, since Israel is well known to be Iran's chief military backer. So concerned is Saudi Arabia over the alliance between Khomeini and Israel's Menachem Begin that late last month the chief of the Saudi Arabian Monetary Authority (SAMA, the Saudi central bank) sent a warning to Washington urging the United States to restrain Israel's support of Iran or face the prospects that Saudi Arabia will withdraw funds from U.S. banks.

In alliance with Britain, Iran has been dramatically underselling Saudi Arabia and other Gulf states by as much as \$9 a barrel not only to generate badly needed oil income but also to break Saudi Arabia's effort to hold the OPEC benchmark price at \$34 a barrel. As a result of Iran's drastic price-cutting, Iran is thought to be selling up to 1.3 million barrels a day, ironically making it the second largest exporter of oil after Saudi Arabia in the Gulf.

Just before the OPEC meeting in late March, the

British National Oil Company provocatively lowered its oil price by \$6.50 a barrel to \$31 a barrel, a move immediately matched by Iran and Libya. The British—who along with Israel were the principal force installing Khomeini—are actively conspiring to achieve the objective voiced in Teheran: overthrowing Iraqi President Saddam Hussein. As *EIR* has documented previously, Britain is one of the chief clandestine Western sources of arms to Iran.

It is no secret in oil-industry circles that both British Petroleum and Royal Dutch Shell maintain a privileged connection with the Khomeini regime. Months after the 1979 Iranian revolution both companies signed small but politically important marketing contracts with Iran to the exclusion of any American companies. Exactly how much support they are supplying to Iran's current bid to sell crude is not known; Iran is reported to have adopted some extravagant measures to sidestep the \$6-a-barrel insurance fee for tankers taking delivery of crude within the war zone at Kharg Island, a factor which up until recently discouraged potential buyers of Iranian crude. The National Iranian Oil Company is said to be chartering tankers to move the oil outside the war zone to expedite sales.

Not only is Iran selling at cut-rate prices, but it is transacting sales through barter agreements with other governments in the developing sector and the East bloc, and dumping large volumes of crude on the spot market to attract customers away from other OPEC producers. Recently Iran was reported to have sold nearly half a million barrels a day to West German and Japanese firms at \$25 a barrel on the spot market.

## **Isolating Iraq**

Iran has enjoyed help from its Arab ally, Syria, in undermining Iraq's ability to export crude and generate badly needed income. In the first week of April, the regime of Syrian president Hafez al Assad announced it was shutting down a pipeline which carries Iraqi oil to the Mediterranean via Syria and Lebanon. Assad made the move following establishing a series of agreements with Iran in which Syria will barter food for Iranian oil

imports which began that same week to replace the Iraqi oil supplies.

The Syrian move leaves Iraq with only one remaining outlet for its exports, a pipeline through southern Turkey, which has only a 600,000-barrel-a-day maximum capacity. This pipeline has repeatedly been bombed by terrorists; that area of southern Turkey is dominated by Israeli-intelligence infiltrated Kurds.

A source with close ties to the Israeli and Iranian networks conducting arms purchases for Iran insists that the Turkish pipeline will soon be bombed again, leaving Iraq no outlet for oil exports. The closure of the Syrian pipeline is estimated to cost Iraq \$5 billion in yearly oil receipts.

Immediately after Syria took the action, Iraq requested that the Gulf states consider increasing financial aid to Iraq and halt all aid to Syria. Unconfirmed reports indicate that on April 20 the six-nation Gulf Cooperation Council met in Riyadh to weight the Iraqi request, and approved a proposal submitted by Kuwait to immediately suspend the annual \$1.8 billion in aid grants to Syria.

### **Bomb the oilfields**

Should the Turkish pipeline be destroyed, this source speculated that Saddam Hussein will be left "with no recourse" but to make a move neither side in the Gulf war has up to the present wanted to make; bomb the oilfields of his opponent. Throughout the 19-month war neither Iran nor Iraq has ventured to bomb the other's oilfields for fear of immediate retaliation against its own oil installations. But in the event that Iraq finds itself with no way to export oil, intelligence analysts see the likelihood of oilfield bombings a new dimension of an expanded Iran-Iraq war.

These sources say that the Saudis and their allies in OPEC would welcome knocking out Iran's oilfields because it would help Saudi Arabia in its drive to firm up oil prices. But the danger is that Iran would retaliate not only against Iraq's oilfields but also against those of Gulf State, probably Kuwait. Over the past year and a half, Iran has twice strafed Kuwait in retaliation for Kuwait's logistical backup for Iraq. More recently, Iranian fighters shelled a Kuwaiti oil pumping station, delivering a warning that Kuwait might become a target for Iranian air strikes.

The long-term military objective of an extremist faction within the Israeli military led by Defense Minister Sharon is to bomb the Saudi oilfields. Whether such an objective is carried out by an Israeli deployment or an Iranian one makes little difference.

Within Iran, there are reports that a ultra-right faction of the Shi'ite clergy associated with Ayatollahs Shirazi and Golpayagani of the Hojatai grouping are already engaged in a bloody power play to take control

of Iran once Khomeini dies. These mullahs are said to have no compunctions about engaging in military adventures against the oil fields of the Gulf, particularly the Saudi oilfields, manned by Shi'ite Muslims who have for years been a target of Khomeini's call for revolution in Saudi Arabia.

The extremists in Israel and Iran are thus on the way toward fulfilling the requirements of certain long-range schemes of British intelligence. Crises in the Gulf are expected to offer the opportunity for British military forces to intervene and re-establish Britain as the colonial overlord of the Gulf.

According to a high-level French intelligence official, Britain is committed to reversing its policy, adopted in 1967, of evacuating the Gulf and relinquishing its colonial status there, an evacuation officially completed in 1971. A key component of this scheme is to continue to discredit the United States as either a viable military power in the region or mediating force in the Arab-Israeli conflict. The continued provocations by Israel against the Arabs, provocations like the April 21 attack on Lebanon, are primarily the work of Sharon and his crony, Chief of Staff Rafael Eytan. These actions are calculated to blacken America's standing with the Arab world and increase radical opposition to Washington's traditional Arab allies, above all to the Saudi regime under Crown Prince Fahd.

### **Breaking Aramco**

The Anglo-Iranian drive to undercut Saudi Arabia in world oil markets is meanwhile aimed at putting strain on the relationship which exists between the four American major oil companies which comprise the Arabian American Oil Company—Exxon, Socal, Texaco, and Mobil—and the Saudi regime. These companies are forced to market Saudi oil at \$34 a barrel when the spot market, through the manipulations of Britain and Iran, is leading the downward trend in prices.

In the short term, no one expects any serious strains to develop between the American Majors and Saudi Arabia. Riyadh's strategy appears to be take another sizeable cut in production as early as the end of April, if necessary. Riyadh is betting that the current oil-company de-stocking will end by late summer, and is therefore prepared to hold its oil output to as low as 6.5 million barrels a day to keep the OPEC official price firm. This strategy is in part guided by the needs of other OPEC producers which are desperately cash-short, such as Nigeria.

Many New York-based oil analysts concur that Saudi Arabia and its neighbors will find a way of funding Iraq through this stormy period and maintaining domestic budget requirements. The April 15 issue of *Mideast Report* stated that the SAMIA is selling gold: this may be one facet of Riyadh's strategy.

# Economic nationalism challenges U.S. investment policy in the Pacific Basin

by Ramtanu Maitra

U.S. economic forecasters and management consultants have told their clients during the past few years that "the major growth opportunity" abroad, the place where "the smart money is going," is Southeast Asia. They point to the members of the Association of South-East Asian Nations (ASEAN)—Indonesia, Thailand, the Philippines, Malaysia, and Singapore—as heading for economic takeoff.

Indeed, this sub-region and its 240 million people have the world's fastest economic growth. But if current trends continue, American business will not be aboard. The investment patterns of U.S.-based multinationals, along with current policies in Washington, indicate that policy makers still regard this area as primarily a supplier of raw materials.

Former U.S. Ambassador to Japan James Hodgson, a leading light in the American Enterprise Institute, told *EIR*, "Resource-rich countries like Malaysia or Indonesia should not follow the Japan or Korea model to heavy industry. Instead, they should concentrate on resource development."

The current administration, merging a raw-material orientation with geopolitical schemes, envisions those ties centered around the offshore oil deposits in the South China Sea, a scheme in which Peking is supposed to play a large role.

## Raw materials or industrialization?

The nations of the region, however, do not view themselves as forever remaining drawers of water and hewers of wood. Indonesia, Malaysia, and the Philippines all see their current exports of raw materials, including oil, as a financial means to the goal of industrialization. Korea and Japan, not Zaire, are the model for their future.

The gap between those two views has already brought Washington into conflict with the Southeast Asian nations. As part of its program to upgrade its population's skill levels, Indonesia decreed last fall that it would reduce its sales of logs, currently 20 percent of its non-oil exports, and increase exports of processed lumber. President Marcos of the Philippines made a similar move in April, announcing an end to all log exports as of May 1. Jakarta's current industrial plan includes the giant \$2.7 billion Krakatau steel complex, a \$2 billion Asahan aluminum complex, and various projects for metals and minerals processing (e.g., sponge iron rather than mere iron ore), vehicle and ship manufacturing, and a number of machine-based industries. Indonesia intends to turn its 155 million people into the engine of industrial power; it is not content to be what Richard Nixon termed "the greatest [raw-materials] prize of them all."

Oil, at \$16 billion annual revenue, provides 80 percent of Indonesia's exports. President Suharto decreed that as of this past January, any foreign company providing a major construction or infrastructure project had to agree to exporting an equivalent amount of non-oil Indonesian goods. The only exemptions are those firms that help Indonesia use such projects to upgrade its own industrial level by making them joint ventures with government-owned companies.

The U.S. Ambassador to GATT (General Agreement on Tariffs and Trade), Michael Smith, immediately labeled the above policy (known as counter-trade) "foul play." Acknowledging that it does not violate GATT rules, Smith nonetheless declared, "We told them [the Indonesians] that we find counter-trade to be against the spirit of GATT. It is close to barter trade, which is a concept which we thought died about 150 to 200 years ago." One U.S. embassy official told the

*Asian Wall Street Journal*, "If Indonesia wants to play this game, they are going to find a chilly reception when they ask for another \$2 billion in foreign aid this year."

At the same time, the Washington-supported International Monetary Fund/World Bank specified that if Indonesia wants loans, it has to end subsidies on consumer goods such as rice and sugar, and abolish the 40 percent subsidy of domestic petroleum products which supplies both cheap kerosene for cooking and energy to growing industry. Under the pressure of falling oil prices, the Suharto government capitulated in January to these demands, for fear that a drop in petroleum income and a loss of foreign aid would end any possibility for financing industrialization.

### **Malaysia's nation-building effort**

A similar conflict prevails in Malaysia, a nation of 15 million. Last July, Dr. Mahathir bin-Mohammad, a medical doctor, became Malaysia's first Prime Minister from a "commoner" background, and the first not to have been educated in Britain. Mahathir, who has established close economic cooperation with Indonesia's Suharto, makes no bones about being openly anti-British; he believes most of Malaysia's miseries today are the legacy of British colonial rule, which turned the country into one large tin-mine and plantation.

Mahathir strengthened the industrializing direction of the current 1980-85 Five-Year Economic Plan, which he had helped to draft. Malaysia is increasing oil output, as a way to finance the overall goal of the plan: a restructured economy. Agriculture had comprised 31 percent of Gross National Product in 1970 and now is down to only 22 percent; it is to be reduced to 17.8 percent by 1985. Manufacturing is to rise from the current 20 percent level to 24 percent of GNP by 1985. At present the government is financing infrastructural projects in ports, telecommunications, transport, and electricity as the foundation for those manufacturing ambitions.

Mahathir believes that for Malaysia's nation-building to succeed, control of the economy has to be taken from its current controllers, the British and the overseas Chinese. Acting quickly after taking office, Mahathir used the government-owned National Equity Corporation to make an unprecedented early-morning buying spree last summer on the London Stock Exchange. Paying market prices, Malaysia bought the majority of Guthrie Corporation, the major plantation owner in Malaysia, and later bought out Dunlop Holdings and Barlowe Holdings, and forced negotiations with another. The giant British-owned mining company, Amalgamated Metal, active throughout Southeast Asia, gave up its majority share to a Malaysian bank to prevent an outright takeover.

Despite the fact that full commercial prices were paid, Britain retaliated by unilaterally altering the London Stock Exchange rules to prevent further similar buyups. Britain also reduced the subsidies for foreign students from developing countries studying in London, of whom a large proportion are Malaysians.

Malaysia attacked the latter move as "racially motivated," and, in response to the Stock Exchange rules change, imposed a practically total embargo on imports of major supplies from Britain. In the midst of an uproar in the Thatcher cabinet—Defense Minister Nott rushed to Malaysia, followed by then Foreign Minister Carrington—Mahathir refused to attend the meeting of the Heads of Government of the British Commonwealth, saying "membership in the Commonwealth never produced much help, particularly from certain Commonwealth countries." No one needed to ask whom he was referring to.

In this nationalist battle against the legacy of colonialism, in which the United States would seem to have much to gain through the development of Malaysia, Washington nonetheless took the side of Britain, and began to undermine the Malaysian economy. Washington suddenly announced a decision dump from its stockpile 200,000 tons of tin over a 20-year period, thus exerting pressure on the tin market. Tin provides 15 percent of Malaysia's non-oil export income, and Malaysia, along with Thailand and Indonesia, account for 60 percent of world tin supply. The American move buffered London's changes in the trading rules in the tin futures market also aimed at punishing Malaysia. In an effort to keep the price up, Malaysia cut back tin production 22 percent. The upshot, as with Indonesia, is that America has been put into the position of seeming to oppose these countries' industrialization efforts.

A similar situation applies in the Philippines, where Washington supports World Bank and IMF pressure on President Ferdinand Marcos to slow the pace of 11 planned industrial projects, to lower tariffs to protect infant industry, and to open the nation for a resource-extraction free-for-all.

### **The economic China Card**

Nationalists in Southeast Asia are equally upset about Secretary of State Alexander Haig's apparent continued support for Chinese predominance in Southeast Asia. This concern reflects geopolitical considerations—Mahathir has repeatedly declared China a "bigger threat than the Soviet Union or Vietnam"—but also the fact that the Overseas Chinese who dominate businesses in Southeast Asia are seen as an obstacle to industrial nationalism. The Chinese, making up only 3 percent of the Indonesian population, nonetheless have

monopolized business and small-scale manufacturing. In his 1969 book, *The Malay Dilemma*, Mahathir wrote, "Seeing how the Chinese had destroyed the self-reliance of the Malays in craftsmanship, skilled work, and business, the British encouraged Chinese immigration [in the 19th century] until the Malays were completely excluded from these fields of employment." Throughout Southeast Asia, colonial rulers used the Chinese minority brought from the mainland to act as a buffer between themselves and the indigenous population, using them as a financial and bureaucratic caste over the natives.

At the same time, Peking continues to support subversive Maoist groups throughout Southeast Asia, often made up of ethnic Chinese.

The U.S. government policy of supporting Britain and China, and its clampdown on government efforts to promote industry (as in the Indonesia counter-trade case) have caused the nationalists of Southeast Asia to look elsewhere for aid in their nation-building efforts. Economic leaders in the region have pointed out the divergent pattern of investments in the area between the American multinationals and those of Japan. The overwhelming majority of American investment in Southeast Asia is in oil or other resource-extraction ventures. Japanese investment, while also prominent in oil and resources, is even more evident in manufacturing enterprises.

In a recent speech, Mahathir told his countrymen to "look east" for economic cooperation. Speaking at a February 8-9 meeting of the Malaysia-Japan Economic Association, Mahathir asked Japanese businesses to support extensive new training programs for Malaysians in Japanese schools and factories. The Prime Minister said Japan was "a much better example for developing Malaysia" than the United States and Europe. "We find the first question other [Western] investors ask," said Mahathir, "is whether they will have a controlling interest, reflecting, of course, their belief that the Malaysians are not quite suitable for running industries." Mahathir has re-introduced Japanese language training in the public schools for the first time since World War II.

Indonesia is cooperating with Japan in joint ventures in more than 200 projects worth over \$3.5 billion, mostly in capital-intensive manufacturing industries, such as auto plants, steel, diesel engines, generators, hydroelectric, bicycles, and ships. A similar pattern can be seen in the Philippines.

The nations of Southeast Asia intend to industrialize. They look upon Japan, Korea, and the industrial sector of India as their models. Cooperation with Japan is complemented by middle-level technology cooperation with Korea and India, including a nuclear-power cooperation agreement with India and France.

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## SWEDEN

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# Olof Palme and the Malmö International

by William Engdahl

Former Swedish Socialist Prime Minister Olof Palme (1969-76) has been challenged on national television to debate whether his policies are not in fact fascist. The challenge, which has created an uproar in the Scandinavian country, came during an April 14 prime-time program, "Magasinet," on TV-2.

Kerstin Tegin-Gaddy, Chairman of the Swedish national political party, Europeiska Arbetarpartiet (EAP—European Labor Party), sparked a nationwide press controversy during a 30-minute program on the EAP where former Prime Minister Palme made what is now regarded widely as a major political blunder. Palme appeared on the show to denounce the party of Tegin-Gaddy, calling it a "tiny fascist-like sect." Tegin-Gaddy, before the nation's largest viewing audience, challenged Palme to a public debate on the issue of whose policies are fascist—the EAP's or Palme's. The Palme-linked daily *Aftonbladet* subsequently acknowledged Palme's blunder. "Was this the week in which TV's 'Magasinet' paved the way for the EAP's political success in Sweden?" the paper asked.

*EIR* has compiled an extensive political intelligence dossier background documenting the fact that Palme, posing as a left-liberal internationally, is a hand-picked protégé of the same neo-Nazi circles running drugs and terrorism. The following is a small part of this dossier.

### Palme's background

The person of Olof Palme is most useful for clarifying the relationship between certain "ultra-left" political operations run out of the Socialist International and the European ultra-right fascist aristocracy which, following a 1951 conference in southern Sweden, became known as the Malmö International.

Palme is most known abroad as a progressive cham-

pion of the Third World who served as Prime Minister of Sweden until his defeat in 1976. As Swedish Prime Minister during the Vietnam War years, and as the current chairman of the Palme Commission on East-West Disarmament, Palme has also played a prominent role in the peace movement internationally. If we peel away this humanitarian façade, we find a far more instructive case history.

Palme, in every realm of his activity, is a protégé of European fascist circles—the scion of Baltic nobility, his mother being from landed aristocracy near Riga, Latvia. His father, an executive with the powerful Skandia Insurance Corporation, which today is a major underwriter for Ted Heath's IRIS (International Reporting Information Systems) covert intelligence operation, was known in Stockholm's high society during the 1930s for his extremely pro-fascist political sympathies.

The young Palme was given the appropriate aristocratic training. He was a member of the elite King's Cavalry until he was sent to Ohio's Kenyon College in the late 1940s to be given a "progressive" cover, although he spent much of his campus years as an ardent student of the work of Friedrich von Hayek, the Austrian neo-fascist economist now attached to Switzerland's Mont Pelerin Society. Palme returned to Sweden to start his career as a "leftist" student leader. He became secretary of the International Union of Students in the 1950s and traveled extensively throughout Eastern Europe and the developing sector to foster his new, more radical image.

During the early 1960s, Palme was suggested as the understudy to the aging Swedish Prime Minister Tage Erlander. The man who arranged this critical post for Palme was Ragnar Edenman, a notorious Swedish Nazi in the 1930s who headed the pro-Hitler New Swedish Movement.

As Social Democratic Education Minister and Prime Minister during the 1960s, Palme, like his Swedish-trained counterpart in Germany, Willy Brandt, initiated a series of educational and social reforms which became publicized internationally as "The Swedish Way." The changes in organization of work and schooling were explicitly modeled on a sophisticated updating of Mussolini corporatist programs implemented during the fascist period in Italy. The Swedish Way was worked out for Palme by Eric Trist and others from the Tavistock Institute for Human Relations of British military intelligence.

Palme's use of an anti-American posture during the Vietnam War served as cover for a series of changes in Swedish law under which not only U.S. military deserters, but a broad array of terrorists, organized-crime figures, and others were given "political" or "humanitarian" asylum in Sweden. Then, in 1972, Palme played

a pivotal role as host to the United Nations Conference on the Environment in Stockholm which was used by Robert O. Anderson, Barbara Ward, Margaret Mead, Maurice Strong, and a gaggle from Aurelio Peccei's Club of Rome to attack industrial development.

### **The terrorist and drug connctions**

Over the past eight months, a wave of heroin and terrorist-related arrests in Sweden has thrown additional light on this creation of the Black International. A circle of top Palme advisers, including Palme's appointee as U.N. Ambassador, have been implicated in one of the furthest-reaching investigations of international criminal underworld activities to date. Swedish U.N. Ambassador Anders Thunborg has been implicated with Pakistani heroin ringleader and international diamond dealer Jacob Chanow on "international politics" to the Palme government in the 1970s.

Subsequent investigation by the Stockholm offices of *EIR* and extensive cross-checking with Swedish Narcotics Police and other international law-enforcement figures, have established the following circle around Palme: The Chanow connection links into a network known to police as the Sar heroin syndicate. Muhammad Sar, believed a member of the secret Muslim Brotherhood underworld, is presently serving a maximum term in Swedish prison for heroin smuggling. The Sar syndicate funds the fascist Turkish Grey Wolves, the group whose member Mehmet Ali Agca attempted to assassinate Pope John Paul II.

Most of the leading members of the Sar syndicate were brought into Sweden following Palme's revision of political asylum laws, including a Greek national named Steven Riganakos, given asylum in the late 1960s as a "national liberation hero" by Palme's government. Riganakos is currently serving eight years for heroin smuggling.

Another close Palme associate, Carl-Thomas Edam, who served as Palme's Adviser on School and Education Issues, had to leave Sweden last fall when convicted for dealing in marijuana. Edam is now re-situated in Copenhagen, that notorious international narcotics traffic point, and heads up a project called Scandinavia Today, which is funded by Atlantic Richfield chief and leading U.S. environmentalist Robert O. Anderson.

Palme succeeded in removing one of the major obstacles to a large-scale infusion of organized crime and criminal Black International activity in Sweden in 1974, when he oversaw the repeal of a Swedish law which forbade foreign funding of Swedish political parties. According to a top source in the Swedish Royal Marine involved in tracking heroin smuggling, this revision made it all but impossible to trace illegal dirty-money operations, which have now made their way to the heart of Sweden's political parties.



### The partition of Jordan

*Begin and Assad are determined to share the spoils. Syria is at odds with all the Arab states except Libya.*

Israel's April 21 bombing raid into Lebanon was the start of a joint Israeli-Syrian scheme to partition both Lebanon and King Hussein's Jordan. That is not a scenario dreamed up by some Palestinian radical or Soviet propagandist; rather, it is the testimony of a Zionist source intimate with Israeli Prime Minister Menachem Begin.

"The ceasefire in Lebanon is over," said the source, gloating at Washington's failure to respond. "And it will not be re-negotiated, at least not by Philip Habib. The next step will be Jordan. I would give King Hussein one year, at most."

The source admitted that Israel and Syria have limited common interests in that direction. "Syria will help us with Jordan. There is a certain usefulness to us in the Syrian pressure on Jordan, and I think it is fair to say that we will share the spoils, so to speak, with the Syrians. Probably, Jordan will be partitioned along the Upper Yarmuk River, which will form a new Syrian-Israeli boundary."

In fact, as other evidence shows, Syria and Israel have formed what amounts to a virtual joint command. According to Middle East intelligence sources, Syria has concentrated up to 50,000 troops on the Iraqi border, and is actively considering the opening of a second front against Iraq, in alliance with Ayatollah Khomeini's Iran. Already, Syrian jets have repeatedly violated Iraqi air space.

"A Syrian move against Iraq would not only be an attempt to prevent Iraq from concentrating on its war with Iran," said an Arab strategist. "It would also spread to an attack against Jordan, and it would help to implement the 'Sharon plan.'"

Last year, Ariel Sharon declared that he would support the overthrow of King Hussein of Jordan and the establishment of a "Palestinian state" in Amman. Asked about that statement in mid-April, Sharon refused to repudiate it, telling Israel's *Maariv* newspaper that the "only foreigners in Jordan are the members of the Hashemite royal family."

Despite its posture as a radical Arab nationalist state, Assad has made Syria into a virtual outlaw state among the Arabs, committing Syrian intelligence to a campaign of blackmail and terrorism against almost every other Arab state except Libya, its close ally.

The April 22 car bombing that hit the Paris offices of *Al-Watan al-Arabi*, an independent Arab weekly not friendly to Syria, was proven to have been carried out by the Syrian military intelligence center in Paris, under the command of Col. Rifaat al-Assad, the president's gangster brother. France expelled the Syrian defense attaché and recalled its ambassador from Damascus.

And by its mid-April break in diplomatic relations with Iraq and the suspension of the Iraqi oil ex-

ports through the Syrian pipeline, Syria has confronted virtually the entire Arab world, which backs Iraq.

Intelligence sources report that Syria's secret service has warned Kuwait, Iraq's neighbor and a major oil producer, that Syria will take action against the Kuwaitis—including destabilization—if Kuwait continues to oppose the Syrian policies in Lebanon and the Gulf. Not long ago, Kuwait suspended payments to Syria for its "peacekeeping" forces in Lebanon.

Now, in retaliation, Syria is threatening Kuwait with using radical Palestinians in Kuwait against the sheikdom, including terrorists, to blackmail its government.

But Kuwait, Saudi Arabia, and the four other members of the so-called Gulf Cooperation Council met in late April to discuss the Persian Gulf war, and opposed Syria's break with Iraq. According to reports from Arab sources, the GCC decided to suspend financial aid to the Syrians, running at \$1.8 billion per year, unless Syria reversed its position on Iraq (see article, page 38). Iraqi diplomats had crisscrossed the Gulf demanding pressure on Syria.

The Assad family has reportedly built up an enormous financial nest-egg in Swiss banks as a result of drug-smuggling activities operated jointly with Meyer Lansky's mob and the Israeli Mafia. In Cyprus, Malta, Sicily, and other spots in the Mediterranean, Israeli and Syrian intelligence officers met frequently to coordinate affairs.

In Israel, the chief contact for the Syrians is Gen. Rehavam Zeevi, said to be the chief of the Israeli underworld, and Gen. Ariel Sharon, Israel's would-be strongman.

## A parliamentary system?

*The 'presidentialist' tradition is under siege; some of the strongest attackers are inside the PRI.*

A major push is under way to revise the Mexican constitution and provide for direct election of a governor for Mexico City. That is the most prominent of a number of moves to 1) weaken Mexico's presidential system and 2) eventually replace it with a British-modeled parliamentary system.

As things stand now, the mayor of Mexico City is appointed by the President and serves as a Cabinet member, though formally without full cabinet rank. The city (known as the Federal District) is then administered through 13 districts, known as *delegaciones*.

There's a good reason for this, enshrined in Mexico's 1917 constitution. It's the same reason the U.S. constitution makes the District of Columbia beholden to national, not state jurisdiction: the need to raise the seat of national government above the pressures and whims of local government.

The new proposal is for the 10 million inhabitants within the Federal District boundaries to elect their own legislature and governor. An elected, rather than appointed, head of Mexico's most populous entity would convert that office holder into a figure more powerful than any cabinet minister and in fact a rival to the President himself.

The stronger opposition parties are all for it, most notably the National Action Party (PAN) and the Mexican Communist Party, now known as the PSUM. Both parties

have substantial followings in middle-class and student areas of the city, and PRI insiders tell me that over the next three years, if the present course continues, the PRI could in fact lose its absolute majority in the city. The opposition parties would have an eventual shot at the governorship, and winning some of the *delegaciones*.

What is surprising is that a substantial chunk of the local and national PRI machine is also lining up for the change.

In April one of the PRI candidates for senator from the Federal District, Hugo Margain, stated that "There are technical people who are looking at this and there are proposals on the table, such as that of Señor Burgoa . . . all are being studied in order to find a good formula for presentation and a later constitutional reform."

Hugo Margain is an "elder statesman" of the party both figuratively and literally, having served the past five years as Mexico's ambassador to Washington.

On April 14, Marcos Carrillo, head of the PRI think tank IEPES for the Federal District, came out in favor of electing a local legislature.

To assess the kind of forces working to bring this about, it's worthwhile looking at the lawyer and politico cited by Margain, Ignacio Burgoa, who first achieved notoriety as the mastermind of the insurrection against the Echeverría government by latifundist groups

in Sinaloa in 1975. On April 14, he published the full text of his proposed constitutional revisions as a full-page paid advertisement in the Mexico City daily *Excelsior*. The manifesto was replete with attacks on the "Mexican authoritarian system," and specifically those "adulators of all-absorbing and anti-democratic Mexican presidentialism." Burgoa concluded his call with a citation from José Vasconcelos, the Education Minister of the early 1920s who later turned against the Mexican system of strong one-party government. In 1929, Vasconcelos led a crusade to replace the presidentialism first established by Benito Juárez and embedded in the 1917 constitution with a British parliamentary system—which Vasconcelos advocated by name.

The group calling for a Mexico City governorship are all followers of former president Miguel Alemán. In January they moved to "democratize" the Mexican Senate as well. A PRI faction headed by former Interior Minister Mario Moya Palencia urged the federal Senate be divided between the PRI and the opposition parties the same way the 1978 Political Reform divides up the Chamber of Deputies.

Immediately endorsing the proposal were Antonio Carrillo Flores, former Foreign Minister and currently the Aspen Institute's man in Mexico, and Enrique González Pedrero, the head of the PRI advisory council and one of Mexico's most fanatical Malthusians.

Indeed, a clue to the whole business is that all those PRI leaders pushing a parliamentary model are the declared enemies of Mexico's modernization and industrialization drives.

# International Intelligence

## *Israel pushing for Lebanon partition*

A source close to Prime Minister Menachem Begin of Israel has described Israel's April 21 invasion of Lebanon as a "limited, surgical move—a softening-up for a full-scale invasion and partition of Lebanon in the month following the Sinai withdrawal."

"There is no cease-fire anymore," the source stated. "It will have to be renegotiated, and on tougher terms than the last one. Phil Habib [President Reagan's special envoy] is no longer acceptable to the Israelis. Someone more hard-nosed is needed."

The source went on to predict a military move by Defense Minister Ariel Sharon into Lebanon in the coming month that will decimate the Palestinian population. "It will make the 1970 Black September operation look like nothing in comparison."

Sharon, intelligence sources report, is intent on using his Lebanon rampage as a means of catapulting himself to power to replace the ailing Begin. The April 21 strike was reportedly designed by Sharon as a limited operation to identify the Palestinian and Syrian targets in preparation for the expected larger assault.

## *Peking postpones crisis over Taiwan*

Peking's decision to simply protest the United States' \$60 million spare-parts shipment to Taiwan, announced April 14, rather than downgrade relations as previously threatened, will probably only delay a confrontation between the two countries. The Chinese Foreign Ministry said it took into account a three-point statement of Washington given during talks begun in December: 1) that the spare parts had been promised before the talks over the arms issue began; 2) the shipment included no new weapons; and 3) no new weapons would be shipped as long as the current talks continue.

In the protest, Peking stated that if the United States "continued its viola-

tion of Chinese sovereignty" Peking could not avoid "the worst possible outcome," i.e. downgrading of relations and recall of ambassadors. The stage is set for such a new confrontation when the administration goes ahead with its January announcement of intention to sell F-5E fighter jets to Taiwan.

On April 22 the State Department said Vice President George Bush will not visit China during his early-May trip to Asia, which includes Japan, Korea, Singapore, and Australia.

## *Italians rebuff Craxi powerplay*

The man whom these columns have called Italy's would-be new Mussolini failed in another attempt to bring down the government of Christian Democrat Giovanni Spadolini in mid-April.

Appropriately, Socialist Bettino Craxi made his move in response to charges by current Finance Minister Beniamino Andreatta that Craxi was a "Gauleiter" (the Nazi term for regional leader) who would turn Italy back to "national socialism."

The infuriated Craxi spent a week demanding that the government either remove Andreatta or resign. On April 21 Italian President Pertini, himself a Socialist, met with Craxi and told him that were Spadolini to lose a vote of confidence, Pertini as President would reappoint Spadolini to form a new government.

## *Pope intervenes in El Salvador*

Pope John Paul II sent a message to the people of El Salvador April 18 asking them to work out a peaceful solution to the civil war that has been destroying their country since 1979. The Pope especially appealed to Salvadorans to avoid the ideological extremism which has divided the country.

"The Pope wishes that Salvadorans leave to one side their egotistical purpos-

es and the criteria of goods of the earth which divide them, at the same time pardoning; they should forget offenses, rancors, jealousies, and stop now from viewing their own brothers as enemies," says the message read at mass in El Salvador April 18.

"Now is not the time for us to begin to divide El Salvador, forming political groups versus political groups, but the time to unite ourselves seeking the most essential and basic things," continued Fr. Jesus Delgado, who was speaking as the Pope's representative.

The Pope also sent an emissary to Latin America to rein in the Society of Jesus, the religious order whose members created the Theology of Liberation and has encouraged radical leftism throughout Latin America. Papal emissary Fr. Giuseppe Pittau is now in Brazil, and will be visiting Panama, Guatemala, El Salvador, and Nicaragua.

## *Schmidt survives SPD party congress*

West German Chancellor Helmut Schmidt, speaking April 21 to the national congress of his Social Democratic Party in Munich, attempted to rally the deeply factionalized party behind his policies, heading off a challenge from left-wingers committed to toppling his government.

As of April 22, it appeared certain that Schmidt will succeed, at least for the time being. But the brawl in the party will continue, further weakening Schmidt's already shaky coalition government and constraining his ability to execute policy.

British newspaper commentaries pointed with evident glee to the Chancellor's increasing paralysis. "Schmidt launches Munich liferaft for his sinking ship" was the headline in the *Times* of London April 19, while the *Financial Times* noted the "atmosphere of intensity and impending doom" hanging over the cavernous sports stadium in which the congress was being held.

Willy Brandt, the SPD chairman and chief protector of the left wing, set the tone for the congress in his opening

## Briefly

speech April 18. Under Brandt's chairmanship, the party has abandoned its traditional role as the pro-growth party of labor and become a "people's party"—a hodge-podge of environmentalists and special interest groups engaged in a tug-of-war with what remains of the trade-union base.

Brandt compared the SPD to a football team, in which his job as coach is to position the various players: this one to the left, this one to the right, that one in the center.

One conservative SPDer angrily retorted that when a football team loses one game after another, it is usually the coach who is fired. But apparently no one is moving to apply this suggestion to the chairman.

### *Why Haig wanted the Israeli blitz*

The story that the Reagan administration failed to criticize Israel's April 21 strike into Lebanon out of fear of jeopardizing the Sinai withdrawal is a complete lie, intelligence sources in Washington say.

Haig's State Department not only fully supported Israel's bombing raid into Lebanon but is backing the same strategic scenario of the Carter administration for the region: the systematic undermining of the Arab moderates and U.S. influence in the Middle East.

Evidence of State Department complicity in the Israeli attack is everywhere. Just hours before the raid, U.S. ambassador to the United Nations Jeane Kirkpatrick vetoed a mild Security Council resolution against Israel for the recent Jerusalem mosque shooting—a virtual signal to Israeli Defense Minister Sharon to go ahead with the Lebanon bombing. Deputy Secretary of State Walter Stoessel, in Israel, had cabled Kirkpatrick that anything less than a veto would "upset" Israel!

Hours later, the strike took place, with Israel using 60 U.S.-made F-15 and F-16 jet fighters to bomb the Lebanese coastline. In its statement on the incident, the United States failed to even criticize Israel for the raid and for breaking the

U.S.-negotiated ceasefire.

Stoessel, who had planned his moves during a short stay in London with Haig and British Foreign Secretary Pym, met with Israeli Prime Minister Begin the day of the raid and delivered a letter from Reagan which was described by the Israelis as the "best document ever" received from an American president. Reagan pledged to maintain Israel's technological edge over the Arabs and to defend Israel if Egypt violates the Camp David treaty. In addition, Stoessel and Sharon reportedly signed a secret accord for enhanced cooperation.

The complicity and duplicity of the State Department has irked at least some Foggy Bottom veterans. Middle East Undersecretary Veliotis is said to be on the verge of resignation because of his policy differences with Haig on the Middle East.

### *North African rebels open to Soviet arms*

Predictions of a Central American-style left-wing/right-wing war setup in Northwest Africa came one step closer to being realized as the anti-Morocco Polisario guerrillas threatened to get weapons from the Soviet Union. "The danger of an internationalization of the conflict [between Morocco and the Algerian-backed Polisario rebels] is daily increasing—and the United States has to accept a big responsibility in this," charged Polisario spokesman Mahmoud Abdel-Fattah in Algiers April 17.

Pointing to U.S. arms sales to Morocco, Abdel-Fattah threatened: "If the Reagan administration continues this kind of support to Morocco, our response will be to ask all those who can help us for more weapons—it's logical. The Soviet Union? My reply is, why not?"

Polisario claims to represent nomads from the former Spanish Sahara who oppose the integration of the territory with Morocco, a deal worked out between Morocco and Spain in 1975. Polisario, with the backing of the Socialist International, Algeria, and Libya, maintains that the territory should become independent.

● **PRAVDA'S** senior commentator, Yuri Zhukov, wrote April 16 that the campaign by Robert McNamara et al. for "no-first-use" of nuclear weapons was a sign of "common sense" in the U.S. He did not comment on simultaneous proposals by the Council on Foreign Relations policy-makers for a corresponding buildup of conventional forces. Zhukov, as well as the Soviet military daily, meanwhile, say the U.S. military—represented by Secretaries Haig and Weinberger—wants strengthened U.S. first-strike capabilities.

● **BETTINO CRAXI**, the Socialist who is Alexander Haig's candidate for next Prime Minister of Italy, responded in a newspaper interview April 14 to charges that he is a fascist: "I have not made a devil out of Mussolini. . . . Mussolini the socialist was a revolutionary and Mussolini the fascist became a reactionary," Craxi maintained.

● **SPAIN'S** decision to enter NATO may be influenced by the Malvinas affair, according to the Spanish journal *ABC*. Like Argentina, Spain has a long-standing controversy with Britain over the sovereignty of island territory, namely Gibraltar. How can Spain join NATO, *ABC* asks, if Britain treats it as a colonial, second-rate power? Talks between London and Madrid on Gibraltar's status will occur in June.

● **ADDENDUM** to our April 27 article on the economic advantages of a U.S. nuclear merchant marine: The failure of the Canadian Coast Guard's 1977 effort to have Canada build nuclear-powered icebreakers means that the huge natural-gas reserves beneath the Swerdlow Basin will remain uneconomic to develop, as will much of the gas in the Beaufort Sea and around Melville Island.

## The clue to the deeper meaning of the Monroe Doctrine

by Lyndon H. LaRouche, Jr.

The majority among the Founding Fathers of the United States would have treated Alexander Haig and the New York Council on Foreign Relations as "a gang of Tory traitors," as hard-core agents of our deadly adversary, the British monarchy. Even today, despite the subversion of our government and political parties by the raving-anglophile Morgans, Moores, Harrimans, and so forth, the underlying moral impulses of about three-quarters of our adult electorate are consistent with the federal Constitution of 1787.

So, an irreconcilable opposition exists between the "anglophiles" and the honest, ordinary sort of citizen. The problem has been, the ordinary citizen has been unable to make his or her moral opposition to Tory treason efficient.

The key problem is that the majority among the moral strata of citizens live in a condition which Dante Alighieri locates in his "Purgatory" canticle. Most of these moral citizens will blush to discover themselves attracted to some goal they view as immoral; they would be angry with themselves if they discovered themselves employing immoral means, even to achieve a goal which is not itself immoral. The problem is, despite their desire to live moral lives, they are dominated by pursuit of "earthly paradise" either for themselves alone or a small circle of family and friends. Their practical interest in life

is therefore made so small in scale, almost infinitesimal in time, that they are unable to find a connection between their personal morality and the larger issues of national and foreign policies of the republic.

In respect to larger questions, these moral but little-minded varieties of our citizens rely upon their own membership or similar adherence to larger institutions such as political parties, trade-union organizations, church denominations, freemasonic or similar associations, and so on and so forth. They permit their opinions on larger issues to be shaped chiefly by such institutions, and are usually incapable of thinking rationally on a subject whenever rational thought leads them into conflict of loyalties between reason and the policies of the institutions to which they adhere.

Consequently, the successful control of most of our influential institutions by Tory traitors and the like causes the majority of our moral citizenry to behave politically directly contrary to their own rational and moral judgement.

It is not necessary that the Tories and their like control every aspect of such institutions as political parties, certain religious denominations, and so forth. By corrupting and controlling the policy-shaping organs of leadership of those institutions, the Tories and their like are able to control the institutions as a whole, and to

either control or neutralize potential opposition from adherents of those institutions.

The case of the Democratic Party is exemplary. The majority of adherents of the Democratic Party abhor bitterly what the National Committee Chairman Charles T. Manatt represents. Nonetheless, Manatt's powerful friends did in fact virtually buy Manatt his position, and the leaderships of certain national trade-union organizations have made "behind-doors deals" with Manatt's crowd, California trade-unions have betrayed their members' most vital interests by supporting the senatorial candidacy of that impassioned enemy of industrial society and modern agriculture, Gov. Jerry Brown. (It is the Brown family, linked to Arthur J. Goldberg and also to certain reputed U.S.-Canada Mafia families, which has sponsored every step of Manatt's rise through California politics into his present position as Democratic National Chairman.)

In such a fashion, the United States is being destroyed from within, most emphatically since pro-Malthusian decisions of the Johnson administration during the 1966-67 period. The British and their accomplices are now acting, with foreknowledge, to attempt to destroy the security of the Western Hemisphere, and to foster strategic humiliations of the United States in the Middle East and other parts of the world. British monetarist policies, modeled upon those of Prime Minister Margaret Thatcher, introduced by Volcker, are transforming the United States, like Britain, into a "once-industrialized nation."

During the period October 1981 through February 1982, the world entered the opening collapse-phase of a new general economic depression. We are now headed toward conditions in which the most probable outcomes are inclusively either thermonuclear war or gradual emergence of global Soviet hegemony over the decade ahead.

This treasonous destruction of the United States could be halted and reversed. All that would be required to accomplish that rescue would be to expel the Tories from our government, and to reinstitute the economic and related policies of the majority of the authors of our 1787 Federal Constitution. We must reject the British "free-trade" system, against which the American Revolution was fought, for the American System of Washington, Hamilton, the Careys, Henry Clay, Friedrich List and so forth. We must echo Secretary of State John Quincy Adams's design of the 1823 Monroe Doctrine in shaping our nation's strategic and foreign policies.

Since the underlying moral impulse of about three-quarters of our adult electorate agrees with the principles of the anti-British American System of political-economy, as we shall demonstrate that fact, is it not possible to energize those moral impulses of the majority to throw

out of power the Tory rascals and their policies?

On principle, the answer to that question is "yes." In practice, such an upsurge of morality can occur only under conditions of a perceived and most acute general crisis.

As the case of Adolf Hitler illustrates, a general crisis does not necessarily lead to a good result; crises change society radically, either for the better, or very much for the worse. It is not possible to sit back and assume cheerfully that a worsening of the present crisis will automatically bring a majority of the voters to their senses. It is necessary to act to ensure that such a happy result emerges. To act competently to that purpose, it is indispensable to understand the scientific principles which must be employed.

The simplest aspect of the present kind of crisis-situation is this.

Under ordinary circumstances, the typical "little citizen" focuses his or her attention upon only immediate practical issues of family, employment, and so forth. That citizen assumes that the leadership of the more powerful, much larger institutions to which he or she adheres will protect the adherents' local interests from bad national or foreign policies. Therefore, ordinarily, the "little citizen" trusts the "greater wisdom" of the leaders of "my party," of "our corporate executive," and so forth. The "little citizen" does not judge matters of national domestic and foreign policies rationally; that citizen chooses to be overheard regurgitating what he or she believes to be the currently prevailing slogans of the various institutions to which that citizen professes himself or herself an adherent.

It is only when this relationship between the citizen and institutions "short-circuits," that the citizen *may muster his or her own powers* for rational policy-making judgment, to make rational choices in respect to the major issues of national domestic and foreign policies. He may respond so, or he may go insane, as support for a Benito Mussolini or Adolf Hitler exemplify the outburst of mass-insanity which too often accompany profound crises.

Essentially, to view the matter in its simplest terms of reference, crises represent to the "little citizen" a betrayal of his or her immediate interests by those institutions to which the citizen has formerly adhered. The citizen perceives that the judgment of the "big institutions" is no longer to be trusted. Either those institutions show themselves able to reform themselves appropriately, or the citizen turns his back against them. They have failed him, they have betrayed him. As V. I. Lenin understood most thoroughly in Russian events of 1917, the citizen may become so enraged against the institutions to which he formerly adhered that he wishes to destroy the institutions he believes have betrayed him.

This aspect of the matter is true, but only on the level of truism. It states the problem confronting the United States at this moment, but does not by itself inform our judgment of how we must act to ensure that an acceptable result is produced by this present, deepening crisis.

To restate the practical, scientific problem posed by this crisis: By what approach can we mobilize the deeper moral impulses of three-quarters of our electorate for a reaffirmation of the American System of political-economy, for a foreign-policy outlook of the sort best exemplified by the reasoning of John Quincy Adams's design of a Monroe Doctrine?

Beginning with a relevant personal observation, I summarize now the general intelligence evaluation which guides me and my immediate associates in all of our present conniving to save the United States.

### **Who is behind LaRouche?**

Beginning the Spring-Summer-Autumn period of 1968, certain colonial assets of British intelligence, including the Institute for Policy Studies and circles around the Ford Foundation's McGeorge Bundy, perceived me to represent a significant "potential danger" to the special interests and projects then being run through the Institute for Policy Studies and the likes of Tom Hayden's Students for a Democratic Society (SDS). Consequently, as U.S. official documents show, the Federal Bureau of Investigation was deployed to assist Mark Rudd and his gang in operations against me during Autumn 1968. British intelligence and its agents of influence in the United States and abroad escalated the level of covert operations against me and my associates up to the point defined by deployment of two top MI-5 agents, Mr. Paul Walsh and Mrs. Schroeder, as featured elements of a covert operation deployed in conjunction with the Institute for Policy Studies, the Communist Party U.S.A., and the "Russian Studies" division of the London Tavistock Institute during 1973 and 1974.

This escalation of British intelligence's determination to contain and destroy me and my associates, which began approximately May-June 1968, has centered in the United States in covert operations and large-scale libel and slander operations employing elements of the FBI and other capacities of the federal and local governments, with a most visible role since 1974 by such assets of the Anglo-Canadian intelligence services as the ADL Fact-Finding Division and the social-democratic network centered around the *New Republic* and the League for Industrial Democracy, as well as, since May 1978, the networks of British intelligence operatives directing the Heritage Foundation.

The press and related calumnies coordinated against me and my associates internationally have centered

around two principal allegations. The first, which is laughable to any knowledgeable person, is that I am in some fashion influenced and backed by the Soviet KGB or the Interior Ministry of East Germany. The second, which is more sophisticated, is the allegation that I am a front-operation of the U.S. Central Intelligence Agency.

Naturally, as a U.S. public figure and twice a high-impact candidate for the U.S. Presidency, I attract and do not refuse discussion of important matters with the lawful security agencies of the United States. I have been in contact repeatedly, especially during the recent six years, with representatives of numerous such agencies, including, if less frequently than with other agencies, some friendly discussions on matters of mutual concern for national security with representatives of the Department of Justice and FBI. Every significant public figure of U.S. political life has a greater or lesser density of such contacts.

Added to this, during September-October 1971, my associates and I launched a political-intelligence news service, of which *EIR* is a product, which has become one among the more important of the independent, private political-intelligence news and research institutions afoot internationally in the present period. Naturally, responsible U.S. security and other official agencies are occasionally interested in such a resource, and we are naturally cooperative in supplying information and evaluation when our knowledge is requested.

In addition, when current U.S. policy is ruining relations with U.S. friends and allies, as the wicked policies of the Carter administration best illustrates such problems, we work to promote a perception of continued common interests among the United States and those abused friends and allies.

These activities create an atmosphere in which the allegation of "CIA agents" is a myth credible to the more poorly informed among ordinary citizens. However, excepting those implied responsibilities I incur as a U.S. patriot, all leading military and security institutions of the United States speak truthfully when they report that my associates and I are always and always have been "free agents" in respect to the official agencies of any and all governments of the world, our own included. If President Reagan were to request I perform some special duty for the United States, I would find it almost impossible to refuse, but pending such a development, any allegation such as "CIA agent" is predominantly as silly as it is inaccurate.

The real situation is much more interesting, and is directly relevant to the topic at hand. As free agents, my associates and I are committed in practice to discover favorable options for the United States. Our intelligence-type capabilities are mobilized, in very large part,

to the purpose of developing and presenting such options, to locations including the Congress, the executive branch and private policy-influencing institutions. Our general commitment is to develop the strategic and other policies I would require were I President of the United States, and to provide information of that quality to relevant official and private policy-influencing institutions.

This is influenced, admittedly, by my own probable candidacy for the Presidency during 1984 or 1988. The Presidency is, of course, the greatest official honor the electorate can bestow upon a citizen. However, my sense of my place in history has rid me of any merely personal ambition in such matters. I view the Presidency as the leadership of our nation for specific tasks of "combat" against those forces which threaten the interests of our posterity. I would not be attracted to the ceremonial features of the office, but only to the means it affords for getting an urgently needed job done. It is what one's life's work bequeaths to the generations living long after one's own death, which is the highest "ambition" to which political life can aspire. To give one's nation an efficient sense of higher mission, in which the individual citizen of the present and future may rightly rejoice: that is the highest rank of statecraft to which any person can aspire.

What I do, and what I write here and now, is influenced also, but in a different manner, by the fact that powerful Anglo-Canadian interests have periodically mooted my assassination, and that a new "sliding contract" of assassination has been afoot against me since late 1981. Although unusual security precautions have so far defeated assassination-projects targeting me since the Summer of 1977, for which I owe a great deal of gratitude to various governments including my own, I am well advised to leave nothing important unsaid today which might be important for those who survive my assassination some early tomorrow. My strongest passion in this connection is my determination that the United States, as Benjamin Franklin's and Lafayette's associates conceived it to become, must reawaken itself and endure as a leading world-force into generations to come. It is my well-informed judgment that the continuation of the heritage of Judeo-Christian republican civilization demands this role by the United States.

I believe, at this moment, that there is no conception more important for me to present for your use than what I restate here now.

As we plunge deeper into the most deadly crises civilization has faced since the 14th century in Europe, I implore you to lift your minds above the petty condition of the "little citizen," and to judge your lives as the development and deployment of your individual powers enables you to contribute Good to the benefit of

future generations. It is not the satisfaction of your appetites, your "personal psychological needs" which is of importance. Such gratifications go into the grave with you, as do the fruits of "transcendental meditation" of any ordinary cow in the pasture. You must lift your minds to the height at which 2,000 years of Christendom become immediate reality for you, and in terms of which immediate reality you judge rightly the role your present mortal life must contribute to the perpetuation of this civilization over generations to come.

From that vantage-point, you can discover that kind of efficient knowledge which informs you what to do during this present crisis.

### **What is civilization?**

To understand the means by which our people can be uplifted in this present crisis, we must understand what it is which we—and they—must defend. If we understand what it is we must defend—and, against what opposition—we see clearly and immediately what to do. This is the uniquely proper basis for any intelligence evaluation fit to guide the strategic policies of the United States at this dangerous juncture.

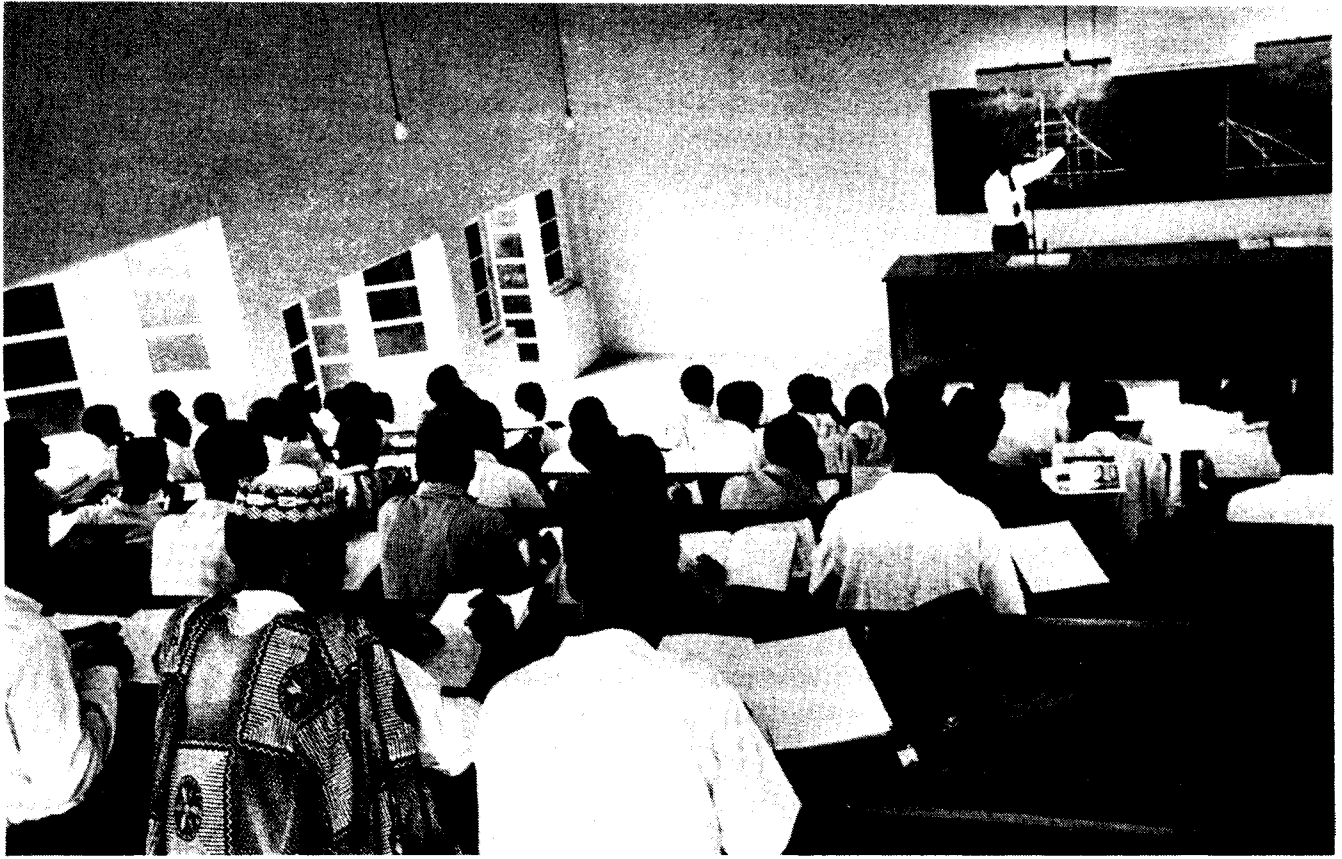
European civilization is otherwise properly named the Judeo-Christian republican tradition. It erupted as a force with the reform of Judaism by Philo of Alexandria, in response to the evil menace of Roman imperial law and culture. It became Christianity in terms of the opening passages of the Gospel of St. John, and became a universalizing force with the ministry of St. Paul. The secular policy of this Judeo-Christian impulse was most efficiently summarized in the commentaries of St. Augustine, most emphatically the conception of the City of God.

This civilization rests upon three most essential principles.

First, as Pope John Paul II emphasizes in the recent Encyclical, *Laborem Exercens*, our civilization is expressed as that commitment to technological progress embedded in the instruction of the Book of Genesis: "Be fruitful and multiply, and fill the earth and subdue it."

Second, it rests upon that principle which the Catholic liturgy associates with the *Filioque*. This principle, set forth in the opening passages of the Gospel of St. John and defended by the Nicene Creed and the commentaries of St. Augustine, was the foundation upon which the great civilization-building of Charlemagne was undertaken. Through increasing the productive powers of labor, by what we term scientific and technological progress today, society brings human practice, and the human will for practice, into increasing concurrence (atone-ment) with the lawful ordering of Creation, and so subjects the individual will to perfecting itself in a manner





*Nigerian university students: expanding civilization.*

consistent with Reason, with the lawful ordering of Creation. This potentiality of the human individual distinguishes the person from the beast, and makes the individual personality a sacred reflection of the divine.

The third, as Saint Augustine efficiently developed the case, the Judeo-Christian impulse, is the republican tradition of classical Greek culture: the Ionian city-state republics, Solon's law-giving poem, and the dialogues of Plato. As to science and scientific method, Judeo-Christian republicanism is Platonic. However, since Judeo-Christian republicanism subsumes Platonic method, rather than Plato subsuming the Judeo-Christian outlook, Platonism is transformed by Philo and Christianity to become Neoplatonism.

Hence, Western civilization's development, beginning with the state policies of Charlemagne, is rightly called *Augustinian Neoplatonism*—for Jew, Catholic, and Protestant alike.

The enemy of Judeo-Christian civilization is most efficiently named *oligarchism*. This name's content is defined by Greek-language documents from the 4th century B.C. These documents, produced by the faction opposed to Plato's republican Academy at Athens, proposed to create a world order based on what the documents describe variously as the "Persian Model" or

"Oligarchical Model." The most famous elaborations of the kind of society represented by oligarchism are the *Nicomachean Ethics* and *Politics* of Aristotle and Roman imperial law.

The development of European civilization to date has been dominated by a struggle between these two opposing forces. It has been a continued, mortal struggle of the classical-Greek republican policy against the Roman-imperial oligarchical policy, a struggle of Judeo-Christian republicanism against the oligarchism of the Roman imperial cults cloaked in various pseudo-Christian, cabalistic, and pagan-theosophical forms.

The simplest point of distinction between republican and oligarchical policies is the distinction in economic policy.

The oligarchists' economic policies have always been, to the present date, the argument that nature represents a finite, fixed amount of potential wealth. Such accidents of geography as those we term "natural resources" today, are presumed to be fixed in amount, so that man appears to be using up limited resources by his existence. Oligarchical society, starting from that heathen physiocratic dogma, argues that the ruling strata of society shall bleed wealth from the labor of the ruled by two related means. The first of these two means is called

“ground-rent,” an arbitrary tax imposed upon labor by the owner of land. The second is pure usury, modeled upon the tax-farming practices of ancient Mesopotamia.

The republican economic policy is that adopted as policy of the United States in Treasury Secretary Alexander Hamilton’s December 1791 Report to Congress, *On the Subject of Manufactures*. This is the policy-document which defended and established the American System of political-economy, in direct and explicit opposition to the European physiocrats and Adam Smith’s *Wealth of Nations*. For republican society, the sole continuing source of wealth of society is the continuing improvement in the productive powers of labor associated with scientific and technological progress.

The wealth of society is not limited to “fixed natural resources.” Man, by mastering and applying the lawful ordering of our universe to this purpose, increases the potential relative population-density of society. Otherwise, instead of an estimated four and a half billion persons today, the human population would never have surpassed the million or slightly more individuals possible with the baboon-like, labor-intensive policies of Tom Hayden’s admirers.

The promotion of scientific and technological progress, as required by the Book of Genesis, to increase mankind’s productive powers of labor, brings the individual will for practice into increasing agreement with the lawful ordering of creation. The development of the individual to this effect, and providing to each individual the opportunity to contribute the benefits of his or her developed talent, is the foundation of all republican law.

### **The role of society**

The individual may contribute Good. However, whether that Good is transmitted to the benefit of society generally, and to future generations, is beyond the power of the isolated individual. The question is whether society selectively fosters the Good and nullifies the evil.

Society is the instrument by which individual Good is to be fostered and its consequences transmitted; it is the instrument for suppression of evil.

So, the fundamental moral question of mortal life is shifted from the isolated individual to the internal ordering of society. Is society so internally ordered as to obliterate the danger that arbitrary free-choice between Good and evil by the individual may shape the course of history? Freedom is not “free choice” between Good and evil. Freedom is the development of the individual and the opportunities afforded to the developed individual to discover and to contribute Good with reasonable assurance that the Good will be preferred and perpetuated. *Freedom is analogous to valid scientific discovery, and to nothing different: the freedom to effect Good innovations in individual and general social practice.*

The direction of society can not be left to the desired beneficence of dictators. If only a minority of society’s members are Good, then the majority will sooner or later destroy society in one or another sort of dionysiac or Jacobin uprising. It is a simple practical problem of statecraft, to protect Good by developing majorities dedicated to defend that Good.

More profoundly, if we see each individual as embodying a divine potential, can we ourselves be Good if we are content to condone a state of moral degradation in any individual?

How shall society be composed? How shall we develop a democratic form of republic, such that the preference for Good by the many shall protect the republic against the risk of corruption of the few? To what political authority does that republic belong? It can not belong to the present majority of the electorate if that majority is thus given the power to destroy the future for posterity.

So, the majority fetters its will to what is defined by Nicholas of Cusa and others as *natural law*. Society fetters the wills of contemporary majorities by means of constitutions, which provide checks and balances against wicked impulses of episodic majorities of the electorate, which oblige the society to pass through certain hurdles of reasoned reflection before undertaking any revision of society’s ruling institutions.

In part, the preservation of a republic depends upon such constitutional fettering of the will of present majorities, disallowing acts of positive law contrary to constitutional and natural law. These means are indispensable, but not adequate by themselves.

By the treasonous Specie Resumption Act of 1876, the United States surrendered its national sovereignty over its public debt, its credit, and its currency, to the London gold-exchange system, and we have not recovered our sovereignty since. The evils of pluralism and pragmatism have spoiled our courts, our political parties, and our educational institutions increasingly over the course of this century to date. Since 1966-67, we have witnessed a neo-Jacobin, dionysian cult, typified by the unwholesome Tom Hayden, ravaging the most precious remains of our heritage.

There must be some efficient force operating within the people which impels that people to defend its precious constitutional institutions, otherwise the pestilence of evil, as exemplified by the Haydens, the Buckleys, and so forth, will destroy those constitutional institutions. That force is the Judeo-Christian republican tradition, the moral heritage of the Augustinian Neoplatonic tradition, the tradition embodied as a republic by the majority of the Founding Fathers of the United States.

The leading enemies of the United States today are those oligarchical families represented by a network of

“European cultural associations” presently headquartered in the vicinity of Geneva, Switzerland. The leading such association was assembled at Venice during the post-war years. Another, complementing the Bilderberger conspiracy, was launched by the founders of the World Wildlife Fund. There is a French version, and so forth and so on.

Over the ages, the enemies of civilization have understood that the secret of destroying republicanism was the corruption of religious and cultural organizations. If the morals of the people could be destroyed, the people themselves could be induced to destroy their own military and other defenses of republicanism. If the moral institutions transmitted over successive generations can be destroyed within the majority of the people, then the constitutional institutions of the republic can not be defended.

In other words, no powerful republic can be destroyed unless the majority of its people lose the moral fitness to survive. That is precisely the degree of risk to which the existence of the United States has been subjected by the rock-drug-sex countercultural eruption, spawned out of Geneva and allied locations. By corrupting and destroying our youth, through the ultra-liberal counterculture, the moral fitness of our nation to survive has been placed in question.

### **The enemies of the United States**

More broadly, the key point of reference for the degeneration of the institutions of the United States has been the widespread misperception, spread by a corrupt press and corrupted universities, that Britain is our ever-loving ally and the mother of our culture. Britain has in no way improved since 1776. Quite the contrary. Our toleration of Britain today is a measure of how much we have degenerated from the standard of our Founding Fathers.

The American Revolution was fought against the policies of Adam Smith’s *Wealth of Nations*. From 1791 through the third quarter of the 19th century, the anti-British American System of political-economy was beloved throughout the world as the pathway to prosperity and freedom. Today, even persons who are otherwise honest patriots actually believe the lie, that American power was built on the foundations of British “free-trade” policies—a contention directly opposite the truth.

Our Founding Fathers hated the oligarchical sophistry of British philosophy of law. Grotius, Pufendorf, and Leibniz, together with the anti-British John Milton, were exemplary of our hatred of the immorality of the “purely positive law” conceptions of Bacon, Hobbes, Locke, Hume, et al. Today, such evil, immoral utilitarian doctrines of British law are rampant in our courts, and in our law schools.

The U.S. economy was built on the “protectionist” policy of defense of fair prices for products of agriculture and industry, against the British “free-trade” policies of the slave-owning oligarchy. Foolish, miseducated people, otherwise honest patriots, today attack the American System of “command-economy.” Meanwhile, the same fellows watch with uncomprehending eyes as our farms and industries collapse. Why such collapse? British “free-trade” policies in agriculture, capitalization of ground-rent valuations as the basis for real-estate investment, and promotion of usury as a “health-giving tonic,” are the principal causes for this ruin of our economy and our national military defenses.

To win back the nation from the edge of disaster, there is no possible remedy but to invoke impassioned memory of our wars against our mortal adversary, oligarchical Britain. Since it is these British oligarchical policies which have lately ruined us, it is against those policies that the hatred of the people must be directed, and, through that constructive hatred, an affirmation of those American System policies which made us formerly powerful and great.

As long as we esteem Britain our “closest ally,” we are imminently doomed as a nation. Unless we rightly name the policies our citizens must now be growing to hate as British policies, we can not call forth from within our citizenry those transmitted, embedded American moral traditions of Judeo-Christian republicanism upon which our rescue absolutely depends. If we do in fact depend upon Britain’s aid for our continued existence, then it is the implicit judgment of our nation’s Founding Fathers that we have become so corrupt, so anglophile, that this nation has destroyed its own moral fitness to survive.

This is not hatred against the British people. Rather, we seek to crush that oligarchism which oppresses them and depraves them morally, so that they too might gain those fruits of republicanism we defend for our own requirements.

No law of the United States expresses this point more efficiently than Secretary of State John Quincy Adams’s elaboration of the Monroe Doctrine. Embedded in that Doctrine—repeatedly ratified as U.S. law by the Senate since 1939—is a philosophical world-outlook, a commitment of the United States to so shape the execution of its foreign policy that we foster the spread of a network of sovereign nation-state republics committed to republican principles and in mortal opposition to oligarchism. Such a community of sovereign republics is a community of republican principle.

If we reawaken that world-outlook from within the majority of our citizens, and do that quickly enough, we shall certainly prevail. If we fail to do so, we shall be rightly judged by coming events of history as degraded to an anglophile condition of moral unfitness to survive.

# The East Side Conservative Club: a threat to national security?

by Scott Thompson and Charles Tate

While the British Crown mobilized every asset and called every blackmail chit to gain U.S. backing against Argentina, President Ronald Reagan was whisked off last month on a "fantasy island" vacation in the British Barbados with William F. Buckley, the serpent-tongued leader of the East Side Conservative Club in New York's "Silk Stocking District." While the President was distracted, if not charmed, by Bill Buckley, sources report that his brother James, who is U.S. Assistant Secretary of State, and other Club members holding posts in the Reagan administration, joined forces with Vice-President George Bush, White House Chief of Staff James Baker III, and Secretary of State Al Haig, to block the United States from invoking the Monroe Doctrine and to hand U.S. foreign policy to the British Crown.

These maneuvers underscore the threat the East Side Conservative Club (ESCC) and its allies pose to U.S. national security. The leaders of this Club are truly the "silk stocking layer" of international organized crime. Club leaders have been linked to the Propaganda-2 Masonic lodge which was exposed by Italian magistrates as a center for those international narcotics and terrorist networks responsible for the kidnaping of Gen. James Dozier and for repeated attempts to overthrow the U.S.-allied government of Italy. Others have been linked to the Permindex "Murder, Inc." Corporation which has implicated in the assassination of President John F. Kennedy. It seems that to become a member of the Club, one must be willing to do business on the shady side of the law and to rub shoulders with some of the top organized-crime families and fascists.

The latest issue of the *East Side Beaver*, the Club's newsletter, cites the following string of appointments for ESCC members in the Reagan administration:

- **William F. Buckley, Jr.**, appointed consultant on policy planning for the National Security Council.
- **John Shad**, appointed chairman of the Securities and Exchange Commission.
- **Tom Bolan**, the Club's chairman, appointed head of the Overseas Private Investment Corporation.
- **Maxwell Rabb**, appointed U.S. Ambassador to Italy.

- **Jean Gerard**, appointed U.S. Ambassador to UNESCO.

- **Paul Dano**, appointed to the Advisory Board of the Small Business Administration.

## Tom Bolan and the GOP-2 Club

East Side Conservative Club chairman Tom Bolan's membership in the Sovereign Military Order of Malta, a pseudo-Catholic association of the Italian oligarchy that has been condemned by Popes John XXIII and Paul VI, justly earns the Club the title "GOP-2." Most of the military and intelligence chiefs ousted by the Italian government for secret membership in the Propaganda-2 Masonic lodge, which is an international control point for the highest levels of organized crime, narcotics trafficking, and both Red Brigades and neo-fascist terrorism, are also members of the Sovereign Military Order of Malta. Other members of the Order have included: Argentine dictator Juan Perón, the patron of Licio Gelli (the head of the P-2 lodge) during his 20-year exile; Umberto II, the head of the House of Savoy and pretender to the throne of Italy; Prince Gutierrez Spadafora, a collaborator with the P-2 plotters and board member of the Permindex assassination cabal; and Massimo Spada, an intimate business associate of Michele Sindona, who has been indicted on charges of drug trafficking in Italy and convicted on multiple charges of bank fraud (see *EIR*, April 13).

In court testimony and in statements to the FBI, Sindona admitted to being part of a P-2-run plot in the autumn of 1979 that was to restore the House of Savoy to power in Italy. Sindona named figures ranging from the Gambino organized-crime family to Secretary of State Al Haig, former CIA Director Stansfield Turner, to former Treasury Secretary David M. Kennedy as complicit in this plot from the American side.

Bolan and Buckley's fellow Club member, Maxwell Rabb, the U.S. Ambassador to Italy, provides another GOP-2 link. Until his appointment, Rabb was on the board of the Sterling National Bank, which handles all financial operations for the Anti-Defamation League of B'nai B'rith. On Jan. 29, representatives of the Italian

government filed a suit in New York which alleges that Sterling Bank had carried out a \$27 million fraud on behalf of the jailed Sindona. This suit, filed shortly after the release of General Dozier by his Red Brigades kidnapers, occurred in the midst of a massive crack-down by Italian magistrates against the Mafia dope traffickers, Sindona among them, who finance the Red Brigades.

The Italian government's court papers show, in painstaking detail, how Michele Sindona and his associate, former Continental Illinois Bank chairman and Mormon church leader David M. Kennedy, allegedly used the Sterling National Bank to milk \$27 million out of Sindona's soon-to-be-bankrupt Banca Privata Italiana into a maze of Swiss banks and thence into Sindona's Franklin National Bank. Sterling's Banca Privata partner in this alleged fraud has also been named as a funding conduit in earlier P-2-run coup attempts in Italy, including one in 1970 that involved the Fascist Prince Junio Valerio Borghese.

Thus, ESCC member Max Rabb is associated with the very circles seeking to overthrow democratic government in an allied country where he has been appointed to represent U.S. interests!

### **Bolan, Cohn and the courts**

Serious questions also arise about Bolan's own appointment as a director of the Overseas Private Investment Corporation, a U.S. government agency which underwrites billions of dollars in insurance for strategically vital high-risk foreign investments. Had the Senate held public hearings on the Bolan appointment, it might have learned that Bolan, often together with Roy Cohn, his law partner in Saxe, Bacon, and Bolan, and a fellow ESCC leader, has repeatedly been investigated and tried for financial wrongdoing.

In 1970 Bolan and Cohn were indicted in Illinois on felony charges for alleged violation of the State Bank Holding Act against a company holding more than one bank in the same district. According to *New York Times* coverage, Bolan refused to appear in court on these charges, remaining in New York, which did not share extradition with Illinois in the matter. A new judge ultimately quashed the indictments against Bolan and Cohn, but co-indictee Victor Muscat was found guilty, fined \$20,000 and placed on five years' probation.

Muscat's Defiance Industries, which was found in violation of the Holding Act, shared interlocking ownership with two firms whose boards Bolan chaired, Gateway National Bank and Fifth Avenue Coach. In 1968-71, Fifth Avenue Coach became embroiled in a major scandal in New York. While Bolan faced civil charges, his law partner Roy Cohn was the subject of an SEC investigation and trial on charges of bribery, conspiracy, blackmail, extortion, and filing false re-



*Roy Cohn with Steve Rubell of Studio 54.*

ports. The court enjoined him from violating the securities laws. Cohn appealed the decision and lost. Legal standards have been changed. "Today, a similar warning would have been grounds for dismissal from the bar in most states," according to SEC attorney Tom Sonde.

### **Roy Cohn, Permindex, and the Mafia**

As *EIR* detailed in our April 20 Special Report on the Fascist International, the Permindex "Murder Inc." networks with whom Cohn is intimate have been charged with responsibility for dozens of unsuccessful attempts to assassinate French President Charles de Gaulle. According to an unpublished report compiling information provided by both U.S. and French intelligence, Cohn was present at 1963 meetings in Las Vegas which allegedly involved planning the assassination of President Kennedy. These Permindex, P-2, and allied Mafia networks which East Side Conservative Club leaders are associated with represent one of the gravest potential security threats to President Reagan.

Cohn has been a frequent associate, business partner, and attorney for such organized-crime figures as Lewis Rosentiel, Carlo and Joe Gambino, Permindex's Joe "Bananas" Bonanno, and Carmine Galante. On Jan. 25, 1982 members of the Gambino family were indicted by a magistrate in Palermo, Sicily for heroin trafficking into the United States. Michele Sindona also named members of the Gambino family as those who arranged his phony kidnaping in the autumn of 1979 so that he could take part in a P-2 plot to overthrow the Italian government.

Since Roy Cohn began his career as a protégé of FBI Director J. Edgar Hoover and as chief counsel for Sen. Joe McCarthy in the 1950s, he has stayed on the

shady side of the law. In addition to indictments stemming from his involvement with Tom Bolan's Fifth Avenue Coach lines, Roy Cohn has been indicted on federal charges three times between 1964 and 1970. He has avoided paying \$1 million in back taxes to IRS by making himself legally impoverished through the transfer of his assets to his business partner Paul Dano, who, it has been alleged in federal court testimony, is Cohn's lover. A New York *Daily News* commentary concluded: "It's hard to tell where Cohn begins and Dano ends."

Since Cohn picked Dano up off the New York docks, Dano has done very well. He was recently appointed to the Advisory Board of the Small Business Administration, because of his "knack" for managing high-cash-flow small business—of the sort frequently used for recycling for narcotics revenues and other ill-gotten cash. "I'm in the business of handling cash. Cash, food, and parking outlets," Dano once said.

Dano's formula for how to succeed in business is revealed in his 1978 takeover of the Universal Money Order Company, a check-cashing outfit whose former owner, Eugene Skowron, had run afoul of the law and hired Cohn to represent him. Eighty thousand dollars later, Skowron pleaded guilty and was serving time in jail, while his old business ended up in Dano's hands. Cohn has denied tipping off his friend and sometime roommate.

### **Buckley gives them the business**

In our April 20 issue, *EIR* detailed the ties that "respectable conservative" leader William F. Buckley and his family maintain with the World Anti-Communist League and Malmö International cabal of European fascists, epitomized by Sir Oswald Mosley and by SS Col. Otto "Scarface" Skorzeny, whom Hitler called "my favorite commando." Recent SEC investigations into the Buckley family's businesses attest that they share the same business "knack" displayed by Bolan, Cohn, and Dano.

In two separate cases, the Buckley family's private Catawba Corporation and William Buckley's Starr Broadcasting Corporation, were found by the SEC to have engaged in a consistent pattern of fraud and other SEC violations and were ordered to pay fines of nearly \$1 million and \$1.5 million respectively. In the Starr Broadcasting case, the SEC accused Buckley of willful fraud and levied one of the largest fines in any comparable case, when Buckley arranged for the Starr Broadcasting Group to purchase a chain of theaters of Texas that continually lost money. Buckley originally acquired these theaters with interest-free loans from SBG, which had been established with Buckley as chairman and a former employee on his yacht, Peter Starr, as president, to an investment front Buckley set up called Sitco. The SEC suit charged that Buckley et al. "knew at the time

... Buckley ... faced personal bankruptcy unless SBG extricated the Sitco partners from their precarious financial position."

Since the end of World War II Catawba, chaired by Bill's brother John Buckley, has been at the heart of a family "oil empire," which includes six tightly interlocked oil companies owning fields and leases from the North Sea to Australia. In a Jan. 18, 1977 article entitled, "All in the Family, Few Shareholders Strike It Rich in Buckley Oil Companies," *Barrons* reported on an SEC investigation into these firms which showed the Buckylys and their partners manipulating them to milk profits at the expense of stockholders.

In addition to his role as head of Catawba, John Buckley was president of Pantepec and United Canso. In 1975 the Buckylys initiated a proposal to turn over Pantepec's sole profit-making asset, the Magellan Corporation, which held interests in Australian natural gas fields, to United Canso, which would have meant a substantial drop in the value of Pantepec stock. In the same year, Catawba negotiated the sale of United Canso's North Sea holding for which the company was paid \$50,000. Instead of a standard broker's fee, John Buckley approved a \$3.2 million payment to Catawba, and he, his sister Priscilla Buckley, and their partners split a \$750,000 dividend from Catawba.

This is relevant to the appointment of fellow Club member John Shad to head the Securities and Exchange Commission. Shad's appointment was steered through Senate confirmation by Sen. Alfonse D'Amato (R-N.Y.) who is a member of the East Side Conservative Club advisory board. In his statement to the Senate, Shad reveals one glaring conflict of interest that was never questioned, namely that he is an investor in the Buckley family's oil firm, United Canso—the subject of SEC investigation.

### **Further questions of morality**

East Side Conservative Club leaders are some of the most outspoken advocates of legalized dope and sodomy.

Roy Cohn is attorney for the Studio 54 discotheque, a dispensary for cocaine, marijuana, and quaaludes.

In its Dec. 8, 1979 issue, the *National Review* cover story declare: "The Time Has Come: Abolish Pot Laws." The series of four propaganda pieces—including a signed editorial by Buckley calling for legalization—was used by the National Organization for the Reform of Marijuana Laws (NORML) in its fundraising literature. Buckley has also admitted to use of marijuana ("on my yacht . . . outside the three-mile limit.")

While not himself an avowed homosexual, in an April 27, 1979 *National Review* column, Buckley counseled homosexuals on the steps they must take to make sodomy publicly acceptable.

# A change for the worse in party rules

by Freyda Greenberg

Under the direction of its chairman, banker Charles Manatt, the Democratic National Committee March 26 voted up major changes in the presidential nominating process that will give greater control over the party and its presidential candidate to the same Trilateral Commission faction that engineered the election of Jimmy Carter.

Rule changes enacted by the Committee include:

- Fourteen percent of the presidential nominating convention must be composed of elected and state officials. DNC member Glen Watts, the current president of the Communication Workers of America (CWA), supported a proposal to make 30 percent of delegates elected officials. Watts, who also belongs to the Trilateral Commission and the pro-genocide Club of Rome, emphasized that the most essential part of the policy is for officials to be chosen "in a manner that screens, challenges, or discourages those who do not support party positions." This new rule coincides with an activation of the party's Commission on Accountability, which was conceived at the 1980 convention to serve as the mechanism for disciplining elected Democratic officials.

- Candidates may win all the delegates to the presidential nominating convention from a single district, rather than having these delegates divided among the candidates according to their share of the popular vote in the primary. In this fashion, a candidate receiving less than 50 percent of the vote will get no delegates at all.

- The primary-caucus season will be reduced to a set number of weeks during the campaign year. Well-known and well-funded candidates have a distinct advantage early in the primary campaign, until lesser-known candidates have had a chance to tour the country.

It is the design of Watts and his fellow conspirators in the party leadership to devise a party platform in 1984 similar to the one adopted in 1980 which enforces the austerity policies of Wall Street patrician Averell Harriman and his ilk within the DNC against the interests of the farmers, laborers, and small businessmen that have comprised the party's base since the 1930s. The Commission on Accountability is seeking to make public commitment to such a platform a prerequisite for any Democratic candidate or party official. Should a Harrimanite

platform be enacted along with strict accountability rules, a Democrat persistent in his support for nuclear energy, for example, would be seriously "discouraged" from serving as a delegate or sanctioned candidate.

### A culmination

For more than a decade the Harriman Democrats have sought to place the party under its complete control. The so-called McGovern reforms of 1972 opened up the party apparatus to every variety of kook and self-appointed minority. These were used as a battering ram against the party's regionally based pro-growth constituency machines.

In 1978, the Carter machine launched the Abscam-Brilab witch-hunt, which succeeded in removing seven Congressmen from the House of Representatives, all of whom had strong ties to the Democratic labor base, and in forcing the resignation of the Senate's foremost labor defender, Democrat Harrison Williams.

Now that constituency machines across the country have been leveled, the Harrimanites, with Manatt in the lead, are ending the reign of McGovern pluralist anarchy and battering down the hatches to turn the party into a Socialist International-dominated machine.

In the aftermath of the 1980 Democratic Convention, groups like the Committee on Party Renewal, the Democratic Conference, the Duke Forum, and the DNC's Commission on Presidential Selection ("Hunt Commission") were spawned or activated to promote a consensus for the now-enacted rule changes.

The most revealing of these groups is former Secretary of State Cyrus Vance's personal think tank, the New York-based Public Agenda Foundation, which after Jimmy Carter's defeat began a study, "Inflation and the Presidency," proposing the party rule changes. The problem with constituencies, according to pollster Daniel Yankelovich—who heads the Foundation and who was the chief architect of Carter's media-created victory in 1976—is that politicians respond to them. "Paul Volcker," said Yankelovich in a Foundation communication dated Jan. 26, 1981, "has shown that one does not need a national consensus to institute a rigorous and clear-cut monetary policy." The object, therefore, of Presidential selection reform is to elect backers of Federal Reserve Chairman Paul Volcker, i.e., elect officials whose policies are contrary to interests of their voters.

The biggest problem for the Harriman-Vance conspiracy for the Democratic Party is that a pro-growth constituency revolted by the policies of Paul Volcker still exists, and is in fact growing. The rapid growth of the National Democratic Policy Committee (NDPC) has coalesced moderate and conservative Democrats, many of whom would otherwise have been driven out of the Democratic Party.

## New views of the 'Soviet Empire'

I viewed several performances in mid-April by the inhabitants of two local think tanks, the Georgetown University Center for Strategic and International Studies (CSIS) and the School of Advanced International Studies (SAIS) at Johns Hopkins. The CSIS held a press briefing April 15 to publicize what it describes as the most ambitious private study of the Soviet bloc undertaken in the postwar period.

This session attempted to modify CSIS's previously vigorous airing of the idea that the "Soviet Empire" would soon collapse. Although the Polish crisis had been proclaimed by CSISers Henry Kissinger, Zbigniew Brzezinski, David Abshire, and others to herald the beginning of the end of "communism," Walter Laqueur, who previously shared his office with the U.S. Friends of Solidarity organization, announced that the Polish situation disproves the hope that the "Empire" will crumble from its peripheries. He cautioned against counting on any dramatic changes in Kremlin policy, and emphasized the high level of stability which has characterized Soviet political life.

A dour Robert F. Byrnes of the University of Indiana, director of the CSIS Soviet bloc study and a former CIA and NSC official, declared that Poland would not soon prove fatal to the Soviets, but is like a slow "cancer . . . they will rock along with . . . for some time." He concluded with the assessment that "their empire is in decline, but the West is also in decline. The big question is which side is going to fall apart first."

Angela Stent, who is also at CSIS, while agreeing that the East will not soon disappear, tried to

give an account of the Kremlin's predicaments. "The key problem is over-centralization . . . it is still essentially the same Stalinist economic system. . . . It stresses heavy industry over all else," she added darkly. No one in the audience remarked on how that Stalinist economy had mobilized during and after World War II, and had produced a hydrogen bomb months before the United States and years before the think tankers of the 1940s had expected that it could even manufacture an A-bomb.

## SAIS and global warfare

SAIS followed this performance with a day-and-a-half event titled "Global Instability and U.S. National Interest: Is Intervention an Appropriate Response?" The purpose of the conference was to elaborate how low-technology warfare could be used against non-white populations, along lines advocated by Gen. Maxwell Taylor and Robert McNamara.

To present this projected Hundred Years War scenario in palatable form to its prospective architects in the audience—officials from the Pentagon, CIA, State Department, and NSC, as well as the major think tanks—Robert "Blowtorch" Komer was on hand, the 30-year-veteran of Pentagon policy planning who became Undersecretary for Policy in the Carter administration after planning and executing the Vietnam War as a prototype for the wars of the 1980s.

Komer announced that it is time for "another strategic change . . . a shift back to reliance on conventional forces. . . . There will be a greater likelihood of conflicts in the '80s than there was in the '70s," he proposed. "There will be many conflicts in the volatile Third World."

He asserted that a doctrine of "coalition warfare" is required which divides tasks between the United States, whose forces he referred to as "the horses," and allies in Europe and the Third World, whom he termed "the rabbits" or "the locals."

"We should provide air and sea support," he said. "Let the locals provide the ground troops. . . . I would not neglect counterinsurgency. . . ."

When I asked Komer why he left the development of high-energy beam weaponry and other advanced potentials out of his projections, he replied, "Oh, I can think of many occasions in history when forces with inferior technology and superior leadership did well. . . . I can't think of any wars yet which have been fought with nuclear weapons." He told another questioner, "I am also a population-control fanatic. . . . I once told the Premier of Turkey that his problems was he had too many Turks. . . . I think we should use our military support to press for programs like this."

On April 16, Komer's keynote was elaborated in workshops on Central America, East Asia, Sub-Saharan Africa, and the Middle East. Peter Clement of the CIA moderated the Africa panel, where an African diplomat asked why it was necessary for the United States to support the South African regime. "I want to answer that question positively, I really do," lisped Clement. "I'm basically a liberal, but as a liberal there is one area where I agree with Jeane Kirkpatrick," and pointed out that democracies are in the minority in the world. "I think there is something of ethnocentrism involved in perpetrating our system on everyone else," he told the "rabbit."



### **M**attox warns of banking 'plutocracy'

In the tradition of the late Wright Patman, Rep. Jim Mattox (D-Tex.) took to the floor of the House on April 20 to warn that Treasury Secretary Donald Regan "is waging an undeclared war against the thousands of smaller depository institutions of the United States." Mattox became the first member of Congress, since North Carolina Democratic Senator Robert Morgan was defeated in 1980, to recognize the nature of the across-the-board assault on the traditional "dual banking structure" of the United States by the major corporations and money-center institutions.

The Congressman, who is retiring from the House this year to run for Texas Secretary of State, points out that the Reagan administration has a very "odd" method of implementing the New Federalism. Charged Mattox, "According to the former head of Merrill Lynch [Treasury Secretary Regan], the New Federalism is great, except when it allows the sovereign states to have a meaningful say in the structure of local financial institutions or how to protect local business and local economies from the predatory big-money interests favored by the Secretary. Their idea of deregulation is decimation of statutory safeguards which protect local economies and consumers and which have precluded the possibility of financial panics during the last five decades. They advocate the destr[uction of] the dual banking system. . . . Competition in this context means setting community-based banks and thrifts at each other in deadly com-

petition, which a relatively few money-center institutions and non-banking corporations gain even greater control of our entire national financial system."

Mattox detailed the various legislative and regulatory fronts upon which he thinks the Treasury Secretary is operating toward his goal of a "centralized plutocracy," including attacking the Glass-Steagall Act, the Home Owners Loan Act, the McFadden Act, and the Douglas Amendment. He concludes his extensive analysis of administration action by charging that "the plight of thrift institutions, the creation of money-market funds, and all the other developments which have raised the issue of change for our financial system were not inevitable, but are symptoms of the maladies called inflation and high interests rates."

Mattox failed to acknowledge that the "undeclared war on American banking" began under the Carter administration. He seemed to leave Federal Reserve Board Chairman Paul Volcker relatively unscathed in his comments.

### **M**elcher introduces emergency farm bill

Senator John Melcher (D-Mont.) has introduced the Emergency Agriculture Act of 1982 (S.2288), a bill designed to stave off the decimation of U.S. agriculture by Paul Volcker's usurious interest rates. In introducing his bill on March 29, Melcher warned his fellow Senators that farm income, rumored, said Melcher, to now be only \$13.2 billion this year "has never been that low since the Department has been keeping track of net farm

income."

Melcher's bill would set the rate at which wheat farmers can project the value of their crops to solicit loans from the Commodity Credit Corporation at \$4.20 a bushel and for corn growers at \$2.90. Melcher emphasized that the marketplace would respond to this by establishing a grain price 50 to 75 cents above the loan rate. "This will assure that grain farmers do not go broke," stated Melcher.

The bill would also direct the Secretary of Agriculture immediately to make loans available to farmers and ranchers under the already authorized economic emergency loan program of the Farmers Home Administration, which is not now being aggressively implemented.

It would increase the food for peace assistance for international distribution, and would "help those abroad while helping American farmers and ranchers," in Melcher's words. And the bill would seek programs to prevent soil degradation.

A more comprehensive proposal for restoring U.S. agricultural production was made by a spokesman for the National Democratic Policy Committee before the Senate Appropriations Agriculture Subcommittee on April 20, warning that Paul Volcker's interest rates are destroying the farm sector and paving the way for foreign takeovers. He outlined a program of low-interest credit and infrastructural development as an immediate necessity.

Secretary of Agriculture John Block told representatives of leading farm organizations in Minnesota April 17 that his solution for the farm crisis is a worldwide dis-

aster which would bring up farm prices.

## **Rhodes: 'technology key for defense and development'**

Congressman John Rhodes (R-Ariz.), the former House Minority Leader, declared April 20 that developing new technologies is the key to America's military defense and international economic development. Rhodes also proposed that American defenses rely on sophisticated orbiting beam weaponry which would destroy missiles before they re-enter the atmosphere, a proposal also urged by National Democratic Policy Committee Advisory Board Chairman Lyndon LaRouche, Jr.

In his floor speech, Rhodes stated that: "The strength of America is in our scientific and technological capabilities. We have the capability now of putting satellites in orbit which would be able to defend themselves either with conventional weapons or beams, and which would also have the capability of killing hostile intercontinental ballistic missiles before they can reach the point of reentry into the atmosphere. . . .

"The day of the 'mutually assured destruction' should end. . . . Operations in space are now being downgraded. They should not be. . . . I was on the . . . subcommittee when we committed the great acts of faith which resulted in funding manned space flight, served to encourage and develop the various planetary probes which NASA has accomplished so brilliantly, and resulted in the capability to produce reusable manned space vehicles. . . . Energy, plus

technology, plus raw materials, plus a good labor supply, plus good management can make an industrialized nation out of an underdeveloped one in just a few years. . . .

"For the next several years, we will have to continue to rely on deterrence of aggressors. But after that period of time, we should have the most sophisticated defensive systems in the world in earth orbit, and we should by then have been able to recruit most of the nations in the world in a mutual undertaking to provide cheap energy so that all the people of the globe can share in its wealth and its affluence. This is the new frontier. In years past when populations became restive and people got bored, there was always new land to be utilized and put to the plow. This is the new land, and American science and technology are the plows which we must use to create a peaceful, better world for all of humanity. The time to put our hands to that plow and begin the task is now."

## **Congressmen say U.S. should back Britain**

Larry Pressler (R-S.D.), a former Rhodes Scholar trained at Oxford, was the first Senator to stand up and demand that the United States back British colonial claims in the South Atlantic. Pressler introduced Senate Resolution 364 on April 19, which states that the United States should "express support of the efforts of the United Kingdom to reclaim the territory of the Falkland Islands and should condemn the illegal occupation of the Falkland Islands by the military forces

of Argentina and should urge the prompt withdrawal of those forces from the British territory of the Falklands." The resolution has been referred to the Senate Foreign Relations Committee, but aides there say that at this point there is no plan to hold hearings on the resolution.

Senator Patrick Moynihan (D-N.Y.), who poses as an anti-British Irish nationalist although he was trained at the London School of Economics, introduced another resolution calling on the President to join with the Common Market countries to back Britain by imposing economic sanctions on Argentina.

In the House five liberals have sent a letter to the President urging that he back the British. The letter was initiated by Rep. Stephen Solarz (D-N.Y.), a protégé of Averell Harriman, the stepfather of Winston Churchill III. The letter, sent April 13, terms Britain our "loyal ally" and urges that the United States back her. It was co-signed by Jonathan Bingham (D-N.Y.), Benjamin Rosenthal (D-N.Y.), Michael Barnes (D-Md.) and Millicent Fenwick (R-N.J.). An aide to Fenwick, who is tied to Wall Street bankers, said the Congresswoman is convinced that the United States "owes Britain loyalty."

Solarz is now reviewing Congressional sentiment to see if a resolution calling on the President to back Britain can be introduced as a non-controversial one, thus requiring no committee review and getting quick floor action.

Jesse Helms (R-N.C.) has been the only Senator to prominently defend U.S. interests against British designs.

# National News

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## Volcker attends Senator Brady swearing-in

Nicholas F. Brady, former managing director of the Draper family's Dillon Read Wall Street brokerage house, was sworn in as Senator from New Jersey, replacing Harrison Williams, the 23-year veteran Democrat who resigned March 11 after a courageous two-year fight against an Abscam frame-up.

Brady was appointed by Republican N.J. Governor Thomas Kean, but according to political sources in New Jersey, it is Brady who is the "real force behind Kean." Kean claims to have appointed Brady, because it is Brady who knows his way around Washington.

Federal Reserve Chairman Paul Volcker, whose high-interest-rate policy has been the single greatest immediate cause of the present U.S. depression, oversaw Brady's swearing-in from the gallery. Volcker and Brady are long-time associates, dating from the period when Volcker was head of the New York Fed.

Brady, part of George Bush's Yale Mafia, was head of the George Bush presidential campaign in New Jersey in 1980, and his daughter is currently a member of Bush's personal staff.

According to a New Jersey political source, Brady's first question to his staff, was whether he had to be present for every vote. Brady was late showing up on the Senate floor for his first vote, and, it is reported, Majority Leader Sen. Howard Baker (R-Tenn.) "filibustered" until Brady appeared to take his seat.

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## Webster would use Abscam tactics again

FBI Director William Webster said that the FBI's Abscam investigations were completely proper and that he would use the same undercover tactics in the future, in an interview with the *Los Angeles Times* April 19.

In response to the Senate investigations into the volumes of evidence on criminal and civil violations by the FBI

during Abscam, brought to the Senate floor by Sens. Inouye (D-Hawaii), Cranston (D-Calif.) and Melcher (D-Mont.) (see *EIR*, March 30), Webster said that Abscam "was purposely sleazy, so that no one would stick around it, except someone who wanted to deal with sleazy people."

In the face of evidence of direct targeting of certain Senators and Congressmen, Webster claimed that "We did not select any Congressmen. . . . They found their way to us." Webster also denied the charges that Abscam had gotten totally out of the control of the FBI. Despite detailed testimony by Sens. Inouye and Cranston on the operations of convicted felon Mel Weinberg, Webster claimed that "No one ever said where it was out of control."

Webster was responding to the initiations of inquiries into the methods used by Abscam by the Senate select committee on Abscam, which first met the week of April 12.

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## Vance endorses nuclear freeze

Former Secretary of State Cyrus Vance, who has become an advocate of the nuclear freeze movement, refused to answer to charges from a representative of the National Democratic Policy Committee that it was Vance's own policy that forced West German Chancellor Helmut Schmidt to agree to the NATO deployment of Pershing missiles to Europe.

In a speech April 21 at the New York Ethical Culture Society, Vance declared that he favored a nuclear freeze, and the Robert McNamara no-first-strike agreement (see Special Report). Vance also stated that he was totally opposed to the deployment of the Pershing and cruise missiles in Western Europe.

The Pershing and cruise deployment could precipitate the collapse of Chancellor Schmidt's government, by strengthening the peace movement in Germany and creating a situation in which it would be impossible for the Chancellor to control the left wing of his SPD party.

Vance ended the meeting, which was

also addressed by Sen. Alan Cranston (D-Calif.) and former National Security Council Deputy David Aaron, after the questions were pressed by the NDPC member.

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## LaRouche Democrats win in Virginia campaign

Caucus meetings held in Virginia's sixth congressional district April 17 elected 13 delegates and eight alternates pledged to the congressional candidacy of regional National Democratic Policy Committee leader Karen Nafziger.

The Nafziger campaign had pre-filed for 34 delegate positions out of a total of 350 delegates and alternates elected, who will select the Democratic congressional candidate at the state convention May 15. Most of the remaining 329 delegates are uncommitted at this time.

Local press has covered Nafziger's call for President Reagan to invoke the Monroe Doctrine against Britain's attempt to re-take the Malvinas Islands.

In Augusta County, Virginia, the NDPC won a controlling majority of nine delegates on an uncommitted slate for the state senatorial race. At the same time, local NDPC Secretary-Treasurer Harold Beyerleer was elected to the County Democratic Central Committee.

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## Group wants Chinese genocide in U.S.

Negative Population Growth, Incorporated, a group including on its board of directors Nobel prize winner Linus Pauling, Princeton professor and Muslim fundamentalism supporter Richard Falk, and movie stars Shirley MacLaine and Joanne Woodward, is lobbying to cut the U.S. population by half. According to its president, Donald Mann, the goal of Negative Population Growth is to "reduce U.S. population from 225 million to no more than 100 million people; and to reduce world population from 4.5 billion to no more than 2 billion."

"The Chinese policy is as close as you could come to adopting our recommendations," Mann explained in an interview made available to *EIR*. "Without any question, government must step in and influence the number of children people want. Voluntary family planning is not enough."

In the People's Republic of China, a couple is permitted to have only one child, under penalty of law. Abortions are carried out by force, and infanticide is becoming a common phenomenon.

Negative Population Growth, Inc. already takes credit for input into one population bill now before the United States Senate, the immigration-restriction bill introduced by Senators Huddleston of Kentucky and Simpson of Wyoming. The bill would severely clamp down on immigration to the United States, and enforce I.D. cardlisting of all Americans.

## Baltimore mayor calls for sub-minimum wages

In testimony April 21 before the Senate Finance Subcommittee on the administrations "free-enterprise zone" bill, Baltimore Mayor Donald Schaefer said that he believes the administration should incorporate a sub-minimum wage for youth into its bill. "There should be two tiers of wages," Schaefer said. "That's something you don't talk about, but I know that it would help."

In his testimony, Schaefer also raised the possibility that he would run enterprise zone in Baltimore that way whether or not he had federal permission to do so. "We're going to have an enterprise zone whether we get federal designation or not," he said.

Schaefer also attacked organized labor for its opposition to the bill, which is designed to promote cheap-labor sweatshops, whether the minimum wage is dropped in the zones or not. The AFL-CIO rebuke to the bill was given by Sol Chaikin, president of the International Ladies Garment Workers Union, who said; "The measure will not create any new jobs. At most, it will shift jobs from one depressed area over to another."

## Anglorrhoea outbreak in Washington?

The National Center for Control of Rare Diseases has reported a potential epidemic involving a new, perhaps incurable affliction, whose source has been pinpointed in Washington, D.C. Dr. U. O. Monroe, head of the center, refused to confirm that the entire U.S. State Department is now being treated, but named the disease "Anglorrhoea," which he called "potentially life-threatening" to any nationality that comes in close contact with it. State Department spokesman I. I. Milord, asked to confirm the reports, would reply only, "official secrets." His superior, I. C. Deprince, added, his voice trailing off into his nose, "spot of trouble, contracted from the natives, I say. . . ."

Among prominent symptoms of "Anglorrhoea" described by U. O. Monroe is a marked relaxation of the foreceps muscles of the arm, causing the wrist to go limp. This is contrasted to a tightening to the muscles of the inner thigh, which he theorized, makes the patient prefer to sit with legs crossed tightly. There is a craving for tea, especially with milk in it.

Dr. Monroe also reported strange effects around the lower facial area, a stiff upper lip sometimes developing, associated with a tendency for the tongue to become caught between the teeth, causing the victim to lisp while speaking.

In the case of one senior State Department official, he noted, "it has become impossible for him to make a clear and unequivocal statement of any kind."

"We have found mental effects when the disease gets out of control," reported Dr. Monroe. "Testing shows that patients can entertain no concept of history. For example, the 1770s, or the 1820s are completely forgotten. We encounter blank spots in the pattern of thought, very sharp discontinuities in his ideas."

Are there remedies, he was asked. "That depends," replied Dr. Monroe, "on how weak the constitution has become."

## Briefly

● **ROY WILLIAMS**, President of the International Brotherhood of Teamsters, said in a mid-April interview with an Arizona newspaper that the country had "to get a hold on Volcker. . . . We've got to get interest rates down to 10 or 12 percent so people can start buying things. . . . If something does not happen by mid-August, we're all in trouble."

● **JIMMY CARTER** has called upon the United States to support Britian in its war on Argentina. "Argentina is the aggressor nation," Carter said April 21. "It has a very abominable record on human rights. . . ."

● **SEN. MALCOLM WALLOP** (R-Wyo.) told a reporter that he thinks that the United States should express its solidarity with Third World nations on the Malvinas crisis and therefore—support Britian.

● **RUPERT MURDOCH**, owner of the *New York Post* and the *Village Voice*, received an award from the American Jewish Congress April 21. Murdoch has consistently supported Israeli adventurism in the Mideast. In his speech, Murdoch called for full U.S. support for Britain against Argentina as a logical extension of the policy of U.S. support for Israel. Both Israel and the Malvinas are beleaguered, he said.

● **THE ARIZONA** legislature has passed a memorial resolution "urging the President and the Congress of the United States to repeal the Federal Reserve Act." The resolution notes that the Federal Reserve Act of 1913 transferred the power to borrow money on the credit of the United States to a consortium of private bankers, a violation of the prohibitions of Article 1, Section 8 of the U.S. Constitution.

# Will the U.S. remain powerless?

If Great Britain succeeds in launching a neo-colonial war over the Malvinas Islands and, by means of its assets in the Middle East, throwing that region as well into a conflagration, the United States will have been rendered as powerless abroad as it has shown itself at home when faced with the Federal Reserve Board's wreckage of the nation's industrial base. That is why *EIR* founder Lyndon LaRouche has warned that the United States must kick Britain hard and quickly at its most exposed deployment, by invoking the Monroe Doctrine and substantiating it with an alliance with the developing sector for technologically based economic growth.

Israel's Ariel Sharon and his British controllers are betting that if Washington capitulates to London over the Malvinas, Israel can push the Mideast over the brink. The result can only be a combination of British and Soviet spheres of influence in the Arab world.

Israel's "test air raid" against Lebanon on April 21 showed that Prime Minister Begin had been captured by Sharon, who, according to our sources, designed their air attack on Lebanon to test the anti-aircraft and strategic camouflage capabilities recently provided to several Arab nations by the Soviet Union, in preparation for regionwide Israeli aggression. This is the "Sharon Plan" we describe in this issue, a plan for destruction of Jordan's government and military forces, and establishment of a Palestinian concentration camp in the remaining rubble. It includes detailed preparations for wiping out the Saudi Arabian air force. Moreover, Secretary of State Haig is complicit in these plans—including a State Department decision to sacrifice American personnel now attached to the Saudi armed forces, if and when Sharon attacks.

Looking at the rest of the world map, it becomes

clear how America has abrogated its responsibilities and betrayed its own national interest. Mexico, Brazil, and Argentina are being left to the ravages of the Bank for International Settlements and the International Monetary Fund, who are enforcing the British policy of credit starvation, domestic austerity, and trade contraction.

*EIR* warned throughout the Carter administration that the United States must not allow economic warfare and consequent internal destabilizations to turn Mexico and other Latin American countries into new Iran. Despite the good intentions of the Reagan administration, the February peso devaluation in Mexico and attendant demands for austerity and abandonment of industrialization plans were successfully overseen by the likes of Lord Caradon and Probe International's anglophile channels within the United States. Fullblown oil-for-technology agreements between the U.S. and Mexico would have precluded the entire dangerous mess.

Britain and her imperial commitment to eliminating counterpoles of industrial development around the globe have not changed. What has changed is the United States. Imagine the response of the Founding Fathers if they witnessed the nation enslaved to British geopolitical designs in the South Atlantic, and to British-designed usury at home, bemused by the anglophiles of the press and heedless of its 200-year leadership for progress.

The American population has begun to realize the gravity of the present conjuncture. What ensues will depend very much upon whether Americans concretely grasp the fact that a U.S. cave-in to Britain will leave only the Soviet Union (and Japan) to defend the underdeveloped sector—making world war practically inevitable.

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