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Executive Intelligence Review

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# EIR

## From the Managing Editor

The Versailles Conference in 1919 bears comparison to this month's summit of seven Western heads of government. In 1919, although World War I had been fought by Britain to wreck the industrial and technological ascendancy of Germany, and slaughter as many young men as possible, there was no good reason why the neo-feudal plans of the English and continental oligarchy should have succeeded. The United States had emerged as an economic giant. European industrial capacity was not destroyed. Germany could have quickly been put back on its feet, and the United States, which snatched Allied victory out of Anglo-French defeat, could have demanded that Europe's colonies be brought into the modern age, guaranteeing a grand export boom and the proliferation of the American System.

Instead, because Americans had allowed foreign policy to be run out of Whitehall since the days of Teddy Roosevelt, and credit to be controlled by London through the unconstitutional Federal Reserve System created in 1913, a self-intoxicated President Wilson presided at Versailles over the Anglo-Swiss imposition of an insane debt burden on Germany. The collapse of world trade in the 1930s was already sown by the Versailles policy, as was the Kreditanstalt-triggered banking disaster of 1931-32, assuring the rise of Adolf Hitler and the start of World War II.

Supranationally imposed depression is once again the agenda for Versailles in 1982. The principal target this time is the United States itself. The machinery will be discussed to put the U.S. economy under IMF policy dictatorship. Over the summer, if Congress does not pass a budget, the Treasury will literally go bankrupt, and the once-soundest paper in the world will be unable to finance the essentials of economic life. The IMF and its controllers will move in against a "Hooverized" President Reagan.

At Versailles, as we go to press, voices are raised against Paul Volcker, but no adequate proposals have appeared on the table. *EIR* has specified what we consider a rational proposal: gold-backed, expanded credit for U.S. capital investment and world trade, especially industrial development in the underdeveloped sector, and whatever nasty maneuvers are required to get the British and Swiss banks out of the way—starting with the Latin American "debt bomb" described in this week's Special Report.

*Susan Johnson*

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## Special Report



"Now—to the death" exhorts this poster in Buenos Aires. "We were able to give our lives for our Malvinas and we shall know how to bestow death upon those who try to take them from us." Argentina's strongest flank is not on the ground in the Malvinas, however, but in the vulnerability of the British pound and the City of London banks to Latin American financial warfare.

Alain Nogues/Syigma

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## A chicken game with the Polish debt

by Kathy Burdman

In an act which rocked the bankers from New York to Frankfurt, the U.S. Senate May 28 voted by 83 to 10 to approve an amendment which would force the government of Poland into default on its foreign debt. The amendment, attached to the 1982 supplemental appropriations bill by Sen. Robert Kasten (R-Wis.) and Daniel Moynihan (D-N.Y.), would force U.S. banks to declare Poland in default on all its loans, or else forego all future payments from the U.S. Department of Agriculture Commodity Credit Corporation on guaranteed loans.

The bill allows the President to declare default or not as he chooses each month. That would, however, leave a Sword of Damocles hanging over any banker who wanted to lend to the East.

"We're in a state of shock," an officer of Chase Manhattan Bank told *EIR* May 28. "This is a disaster for the international banking system. It could cause banks to tighten lending to all of the Soviet bloc, as well as to the Third World, and that could lead to chain-reaction defaults."

If it becomes law, the Kasten-Moynihan amendment will do exactly that. However, while it is expected to be passed by the House by June 8 and sent to President Reagan, National Security Council sources say he will veto it. Votes may not exist to override him.

Whatever the outcome, the Kasten-Moynihan gambit is one piece of a larger "chicken game" the allies of the British government in Washington are playing

against the Soviet bloc. The strategic aim: use the U.S. to try to destroy the economy of both the Soviet Union and its allies and Western Europe, through credit cutoffs, trade embargos, and sabotage of Soviet development projects such as the Siberian natural gas pipeline. West Germany and other Western European nations, now loaning billions to the Soviets for trade, are to be threatened with chaos, unless they agree to cut the credit spigot.

### A pullback?

The Moynihan-Kasten bill represents a chicken game with the world banking system. In order to compel the United States to escalate economic warfare against the Soviet bloc, a policy whose most articulate public spokesman has been Henry Kissinger, its sponsors were willing to risk triggering an international banking crisis that would hurt, more than anyone else, the United States. Defense Secretary Caspar Weinberger and his Undersecretary, Fred Iklé, were reportedly the principal backers of the Polish default option inside the administration. However, Iklé has reportedly had second thoughts, perhaps because the stakes have been raised enormously by the prospective use of the Argentine "debt bomb" as a strategic weapon in the present South Atlantic war. For the U.S. administration to push Poland into default would legitimize a Latin American default against Britain and perhaps British allies.



Carlos de Hoyos/NSIPS

Senator Moynihan (c) at the 1981 Labor Day ceremonies in New York City: his bill could trigger massive unemployment.

"This is not too smart," said a senior officer of the Hungarian National Bank of the Kasten-Moynihan Polish default push. "The American banks may not be the biggest creditors of Poland, but they are the most exposed on the international markets. If the U.S. forces Poland under, about 20 other countries around the world say 'whoopie' and stop paying their debts."

Poland, in fact, must pay a total of \$10.4 billion in debt service this year, of which \$3.2 billion is interest owed to all foreign banks, and doesn't have the cash. On May 27, Polish Planning Commission chairman Zbigniew Madej said that Poland will not be able to pay without a rescheduling, now being negotiated.

U.S. banks have total loans outstanding to Poland of some \$2.5 billion, 10 percent of Poland's total foreign \$25 billion debt, and all of the U.S. debt holdings would be called into default under Kasten-Moynihan, as follows. Some \$1 billion of the U.S. loans, or 40 percent, are underwritten by the U.S. Commodity Credit Corporation (CCC). Since Poland began stretching out debt payments, the CCC has been reimbursing U.S. banks for missed payments, paying out over \$72 million during February alone. Under the amendment, banks seeking to collect such CCC funds would have to declare Poland in default, and "many small banks would be forced to do so," a source at Chase Manhattan said worriedly. Most U.S. banks would probably have to follow.

The first and least result would be that U.S. banks would lose all their \$2.5 billion directly involved, since of its meager total \$700 million assets, Poland has less than \$100 million in the United States to be seized by U.S. creditors.

Second, the world leadership of U.S. banks would be totally destroyed, West German bankers told *EIR* at the end of May. "If any U.S. bank declares Poland in default, even if it is U.S. government policy," one German banker said, "no U.S. bank will ever lead an international banking syndication again."

Worse, he added, there might *be* no future international loan syndications, as bankers of each country shy away from doing business with banks under foreign government altogether. World lending could suffer drastically.

Ordinarily, a U.S. default would trigger a "cross-default" declaration by other lenders involved. German banks, who hold the bulk of Poland's total \$25 billion debt, would simply refuse to use the "cross-default" clauses. "We would refuse to declare a default, and let the U.S. banks take it on the chin," he said.

"It's been a good bargaining chip to threaten Europe, but it won't bring us much more now," Weinberger's top Undersecretary Fred Iklé has told White House sources.

The U.S. loss of \$2.5 billion pales beside the possible chain-reaction consequences of the generalized

tightening of commercial bank lending which a Polish default would trigger. Banks worldwide would first pull back on lending to the East bloc, where Romania and Hungary already need over \$4 billion in Western loans this year just to pay their debts. These nations, too, would be forced into default. Loans to East Germany, which needs \$6 billion to pay debts in 1982, might go sour.

Any further credit tightening could easily provoke Argentina, already being squeezed by the banks, into default on its \$35 billion debt. Argentina, Venezuela, Mexico, and Brazil have already deliberated dropping a "debt bomb" of default on their over \$220 billion foreign debt.

U.S. banks clearly have most to lose, for not only do they have well over \$10 billion in Eastern European loans outstanding, but over \$100 billion in loans to Latin America.

### **Alternate routes**

The overwhelming Kasten-Moynihan vote in the Senate, despite commercial bank opposition to the amendment, cannot be explained except as a threat by the British to detonate the world banking system unless lending to the Soviets is cut. In fact, the remarkable coalition which forced the vote through has only one common denominator: advocacy of British-style eco-

nomic policy.

The original proponent of forcing a Polish default was Defense Secretary Caspar Weinberger and his Undersecretary for Policy, Fred Iklé, who hoped to cow Western Europe to agree to cut East-West trade. The Senate vote itself was lobbied through by Lane Kirkland, President of the AFL-CIO, who has done nothing to reverse Paul Volcker's high interest rates. On the Senate floor, Kirkland's social-democratic aide Tom Kahn worked together with "New Right" conservatives Richard Viguerie, Citizens for the Survival of a Free Congress head Paul Vyrick, and Conservative Caucus head Howard Phillips. Secretary of State Alexander Haig denounced the plan in public, but backed it privately all the way.

Even the Weinberger hawks are now saying President Reagan would veto the bill, however. The hawks are moving on several fronts to destroy the overall climate of East-West trade.

The U.S. will continue to press Europe to agree to place all future loans to the Soviet bloc under a committee at the Bank for International Settlements to "monitor lending activity." Although Europe will disagree, it will sour the atmosphere. And last, Kasten, and his House co-sponsor Cong. Jerry Lewis (D-Cal.) are reported to have a series of new bills against East bloc credits on the way.

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# India cancels its British steel contract

by Uma Zykofsky from New Delhi

The Thatcher government's efforts to expand its weight in developing-sector economies received a setback last month. On May 13, following a special cabinet session, the government of India announced the cancellation of a \$2.8 billion contract for the construction of the Paradeep steel complex awarded last September to British steelmaker Davy McKee. It had been the largest single contract India ever awarded to an international firm. The decision was made after Davy McKee attempted to renegotiate the terms of the contract, and escalate the \$2.8 billion to \$4 billion.

The Davy McKee fiasco, and details now coming out in New Delhi about British business practices, suggest that it is unwise to do business with the British. The British steelmaker had used the Prince of Wales as an aggressive lobbying agent for this contract. Prime Minister Thatcher was also involved, providing all sorts of British government guarantees in order to gain the contract, guarantees the British sought to violate before the ink was dry on the letter of intent.

The British have been making an effort to gain contracts for a number of multibillion-dollar industrial projects now in the planning or contract stage in India, as well as in other developing countries. The long-standing "historical ties" between Britain and India have been invoked as part of this effort. The Davy McKee contract had been awarded last year despite criticism in India that it did not offer the best technology available, and that Indian companies had been deprived of contracts they could fulfill themselves. And this May, the first part of a project to upgrade the Indian telephone network with electronic systems was awarded to a French firm; that was a contract the British had been seriously bidding for.

## Contract violations

When the contract was originally announced, as Indian government sources now reveal, the reason Davy McKee got the Paradeep deal over the technologically superior Mannesman-Demag of West Germany was because better credit terms were offered: \$350 million

from British government grants, \$500 million in Euro-currency loans, and a \$190 million French soft loan.

The West German competitor could not come up with such a package. As soon as the project was clinched, the British government, however, backed out of its grants, and the French partners pulled out of their portion as well.

Then Davy McKee began to delay the project and haggle on the agreed-upon cost estimates.

They managed to stall past the May 15, 1982 deadline, when the interest rate for the project loan increased from 7.5 to 10 percent, and finally asked the government to "reopen discussion on the contract," but not reopen bidding, asking for the cost estimate to be increased to \$4 billion without any inclusion of those construction costs of the project which would be passed on to India.

A further change demanded was an unlimited time schedule; a deadline had been originally agreed upon. A clause stating unlimited cost escalation was also demanded.

Indian government sources summarized Davy's position as an effort to hook India into a British equipment-supply cycle and overall British supervision of the project without assuming any responsibility for results. Such a position became totally unacceptable to the government of India.

## Plan review

On the heels of the Davy McKee lesson, a review of some of the current Sixth Five-Year Plan projects is under way. The steel plant in question is to be the seventh major steel complex in the country, the sixth in the public sector.

While other steel plants were built in the 1950s and 1960s in collaboration with the Soviet Union, West Germany, and Britain, the Paradeep plant, along with a new plant being built at Vizakapatnam with Soviet assistance, is the first new steel complex to be built here in the last 15 years.

Indian steelmakers are in a position to design and construct a plant domestically, importing foreign equipment only as needed; informed sources say that while this course of action will provide a push for the domestic economy, longer construction schedules may be incurred.

Prime Minister Indira Gandhi has already voiced her view that India must use the best available technology in all sectors to move the development of the entire country forward. While the foreign-exchange position is tight, holdings having fallen by 30 percent to approximately \$2.4 billion in March 1982, the Prime Minister is said to be concerned that whatever is purchased or contracted abroad be the best possible so that it benefits the economy as a whole.

# The spooky case of Quebec's Bombardier

by Pierre Beaudry

The U.S. Senate Finance Committee held emergency hearings on May 28 to evaluate Canadian trade policy as a result of the recent Bombardier coup which shook not only New York City but also the entire United States. The hearings were held on 24 hour notice to a reportedly packed hall.

On May 18, Bombardier, a Canadian subway car manufacturer, was awarded a \$662 million contract for 825 subway cars by the New York Metropolitan Transit Authority, despite the fact that loss of the contract, the largest ever for mass transit in North America, may force the Michigan-based contender, Budd Company, to shut down. Another bidder, Francorail of France, was also eliminated because of the subsidized financial backing Bombardier secured from the Canadian Export Development Corporation at a well-below-market interest rate of 9.7 percent.

As this report will demonstrate, there is more than simply "unfair competition" involved in the Bombardier coup.

## Bombardier and Space Research

The notable thing about Bombardier is not the fact that it competes unfairly for contracts, but that it operates as a "deep cover" for Anglo-Canadian military intelligence.

In 1980, Bombardier bought a large tract of land and a manufacturing plant from Space Research Inc., which was reorganized in the late 1970s after having been exposed as an arms trafficker to South Africa. Space Research had been created in 1968 by Edgar and Peter Bronfman of the Canadian Seagram Company family as a shell for running arms and nuclear equipment to Israel, South Africa, and Pakistan. The Bronfmans had been linked in 1978 in the book *Dope, Inc.: Britain's Opium War Against the U.S.*, to leading narcotics traffickers internationally. The old bootlegging family became "respectable" during World War II as a result of their longstanding collaboration with the Brit-

ish Special Operations Executive (SOE), a now nominally defunct agency which was involved in the creation of Space Research.

Another project of the SOE was the creation of an assassination bureau under the corporate cover of Permanent Industrial Exhibitions (Permindex), a firm run by Major Louis M. Bloomfield, a personal lawyer to the Bronfman family, and the former assistant to SOE founder Sir William ("Intrepid") Stephenson. Permindex was exposed by New Orleans District Attorney Jim Garrison as being implicated in the John F. Kennedy assassination and in several aborted attempts against the life of Charles de Gaulle.

The main shipping agent of Space Research, it turned out, was Israel's Zim Shipping Company, a Mossad outfit that was caught in 1978 carrying liquid hashish on one of its ships in New York harbor.

According to its official charter, Space Research was a semi-official branch of the Canadian Defense Ministry; its stated purpose was to perform research for the Canadian Army. The Director of Space Research, Dr. Gerard Bull, a ballistics specialist in Her Majesty's Canadian Army, was formerly posted at Valcartier, near Quebec City. His "Project Harp" was a program to test a 172-foot cannon capable of launching nuclear weapons against Soviet satellites. Bull's actual function was in fact to smuggle weapons around the world, as he admitted under oath during a criminal hearing in Vermont in June 1980.

This operation raised a public outcry in the United States at the time, as it was revealed not only that high-level American officials were involved but also the oldest bank in America, the First Pennsylvania Bank, had lent Space Research up to \$11 million. U.S. figures who were brought on the board of Space Research in the 1970s included:

- Lieutenant-General Arthur Trudeau, former head of the U.S. Army R&D section;
- General Barksdale Hamlett, former commander of U.S. forces in West Berlin;
- Colonel Rogers Gregory, formerly of Norwich University, Vermont;
- Richard Bissell, former Deputy Director for Operations of the CIA.

To facilitate a customs-free border crossing, the Space Research plant was built on land straddling the Quebec-Vermont border at Highwater-North Troy. The company first came to *EIR's* attention when it was discovered to be involved in dirty tricks against *EIR* founder Lyndon H. LaRouche, Jr. through a typesetting front in New York City run by Col. Zvi Aldoubi of Israel's Mossad secret service.

A look at the board of directors of Bombardier gives immediate evidence that it is nothing but a continuation of Space Research under a deeper cover. Bombardier

director Jean-Paul Gagnon is also Vice-President of Valleyfield Chemical, an explosives plant which was wholly owned by Space Research. Gagnon's nephew, M. Chalifou, was general manager of Space Research.

The most important Bronfman asset on Bombardier's board, however, is Pierre Cote, Chairman of Celanese of Canada, and with Charles Bronfman director of the Bank of Montreal and the Cadillac Fairview real estate conduit for dirty money. Cote sits on the board of Domtar Inc. along with Arthur Ross, station chief for New York of Britain's MI-6 intelligence division. Cote is also a member of the Consulting Committee of Royal Trust Corporation, the corporation that bought mobster Meyer Lansky's International Bank of Miami, and sits on the boards of the Canadian Development Corporation and Texasgulf.

Other Bombardier directors include William Ian MacKensie Turner, Jr., President of Consolidated Bathurst, director, Power Corporation, Celanese of Canada, and director, J. Henry Schroeder Banking Corporation, part of the financial network which financed Hitler before World War II; and Sol Simon Reisman, a graduate of the London School of Economics who has spent 10 years as the Canadian representative in international trade negotiations, including GATT, and is known as a trade-warfare expert.

One of the most significant aspects of the military side of Bombardier is its Logistic Equipment Division, specializing in vehicle prototypes for all-terrain rapid troop transport.

According to Bombardier's 1981 annual report, the company expects to considerably expand its aeronautic and logistical capabilities for 1982. It states that it has the ability to "adapt its commercial products for military purposes." Bombardier has contracts with the U.S. as well as the Canadian military.

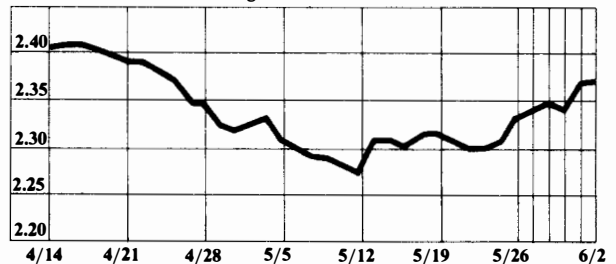
At the time Space Research was exposed, the remainder of the site and equipment was bought by Sheikh Saad Gabr, a funder and controller of the terrorist Muslim Brotherhood internationally. Gabr reorganized his section of Space Research into what is known as Space Technologies, Inc. (while retaining 75 percent of Space Research's former employees). The new company purports to be involved in satellite launching.

In 1979, Gabr founded an Islamic Cultural Center in North Hatley, Quebec, a town—mostly owned by Gabr—located on a lake that straddles the U.S.-Canada border. The center is linked to the terrorist-spawning East-West University of Chicago, the center of activity for the American Ramallah Federation, an umbrella for radical Pakistani groups in the United States which has funded Rev. Jesse Jackson and PUSH. According to Arab diplomatic sources, Gabr's firm is involved in shipping arms to Iran's Ayatollah Khomeini.

## Currency Rates

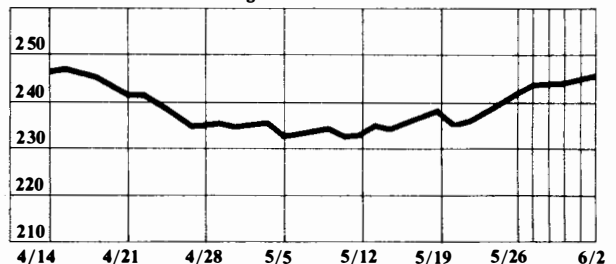
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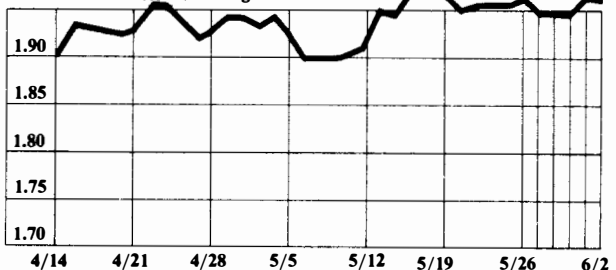
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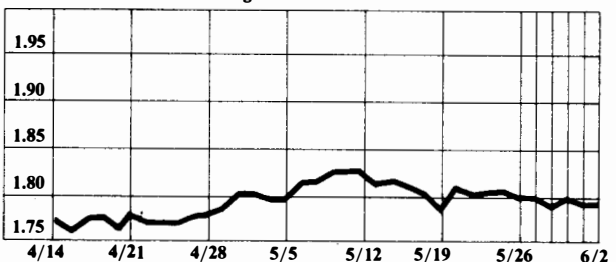
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# Deregulation brings an end to U.S. commercial aircraft orders

by Leif Johnson

The \$7 billion Boeing Company, the aircraft manufacturer that has produced 90 percent of the world's planes and still holds 90 percent of the U.S. market, is still officially unruffled by the state of the economy. Despite the disastrous profit-and-loss picture in the airline industry, despite the rash of order cancellations for the company's 757s and 767s, and despite the lack of any evidence that the market will improve, Boeing is sticking with its market projection of \$100 billion in aircraft sales over the next 10 years. And that \$100 billion is estimated in constant 1982 dollars.

H. C. Munson, Vice-President of Boeing for Strategic Planning, recently gave a Washington D.C. audience his reasons for optimism. "The underlying fundamentals which drive air travel are right. Society today is highly dependent on travel. And air transportation is by far the most convenient and economical means of travel over distance of any consequence."

Munson is correct; aircraft orders are sustained by increased airline traffic.

He continued, "The demographics are right. The portion of the population who are most likely to travel—those between the ages of 25 and 45—is the fastest growing segment of our population." Again the logic is beyond dispute, although this pent-up demand is exactly the premise of homebuilders' and automakers' hapless "it must get better" hopes.

Lastly, Munson said, "the propensity to travel is right. You may find it surprising when I say that the money spent on air travel has been increasing during a period when traffic is declining." Probably none of his audience at the International Club were surprised: fares have indeed gone up.

The most compelling argument Munson made in a

year-old Boeing document is that 2,000 of the world's aircraft will be 16 years old or more by the end of this decade, and therefore must be replaced. Munson reasons that demand will be on the scale of the huge jet orders of the early 1960s as airlines replaced propeller craft, or at least of the replacement of the original small jets by the wide-bodied fan jets in the early 1970s.

## What even Boeing knows

Each annual issue of *Current Market Outlook*, a world survey published by Boeing's commercial airplane subsidiary, carries a chart of aircraft orders since 1965. The chart (see graphic) also shows airline profits since 1965. The almost complete coincidence between airline industry profitability and aircraft orders is remarkable, since needed replacement of capital equipment in most industries does not coincide so closely with periods of high profitability. As Boeing admits, each of its new aircraft was launched into a market on an upswing.

Nothing could be further from the case today. Since the halcyon pre-deregulation year of 1978, when domestic trunk lines alone gleaned over \$1 billion in operating profits, and U.S. international carriers took in another third of a billion, the airline industry's operating profits have fallen off the cliff. In 1979 operating profits tallied \$200 million; in 1980, the figure fell into a quarter of billion loss. Nineteen eighty-one saw a \$420 million loss, and the first quarter of 1982 a record \$586 million loss (see *EIR*, June 1).

## Beyond the blue horizon

Steadily mounting deficits are translated into cancellations of aircraft orders. Boeing suffered a body blow

this February when American Airlines canceled its \$600 million order for fifteen 757s, a plane that Boeing had spent a billion dollars in developing. Of the remaining 123 orders for 757s, half are from Delta Airlines, which suffered its first major earnings loss in the first quarter of 1982. Boeing has nailed only eight orders for the 757 since the beginning of 1981, and the company has announced graduated layoffs of 8,000 to 10,000 employees at its Seattle and Wichita, Kansas manufacturing plants.

One aircraft analyst claims that the present rate of orders is so slow that Boeing could shut its 757 production line for a year and still meet those orders.

It may also close its 767 line as well. On May 26, United Airlines, the foremost champion of deregulation, announced that it is negotiating to delay delivery of 20 wide-bodied 767s and will probably cancel the remainder of the 39-craft order. United also threatened to cancel an additional nineteen 767s on order, bringing the total to 39 aircraft worth \$1.8 billion. United posted a 1981 loss of \$104 million and a record three-month loss of \$129 million for the first quarter of 1982.

If United cancels, Boeing is left with only 134 orders,

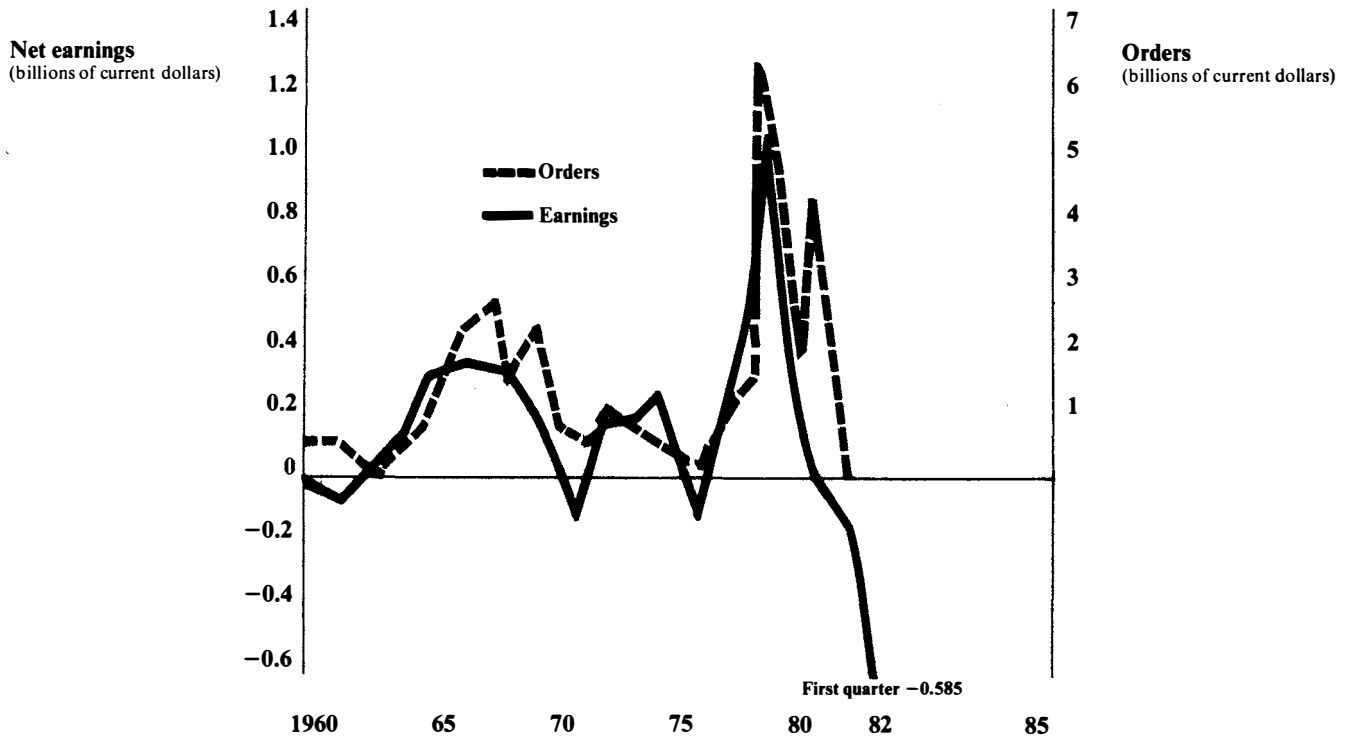
some as shaky as United's. Boeing may have embarked on aircraft production that will entail large expenses and obligations but too few orders to turn a profit.

Order terminations portend severe trouble for the other two American commercial aircraft producers. Lockheed has announced that it will halt production of its only commercial craft, the L-1011. The other major producer, McDonnell-Douglas, has too few DC-10 orders to stay profitable.

According to Boeing, the company—and presumably others as well—must sell 700 units to make the development of any specific aircraft profitable. As domestic airlines undergo a 25 percent shrinkage in revenue passenger miles, threatening the bankruptcy of major carriers like Pan-American and TWA, they will not order new aircraft. Nor will the non-union fringe airlines created by the same financiers who provide credit for the majors. These “new entrant” carriers allowed by deregulation mostly buy used aircraft 737s or DC10s from the failing major carriers.

If Boeing's order book for the 757s and 767s is so short of the 700 mark, and if domestic U.S. carriers, which provide one half the world's aircraft market, are

### U.S. trunk airline earnings and new equipment orders



Source: Boeing Commercial Airplane Company



*Thirty years of Boeing craft lined up near Seattle, Washington: third from last is the B-52, first delivered in 1954.*

in a very poor position to buy aircraft, where does Boeing hope to make good its sunk development costs? The world market looks little better than the domestic one.

According to one industry analyst, the only nations that will definitely purchase new U.S.-made craft are the Gulf states, assuming no disruptions. Singapore Airlines and Cathay Pacific, both potential large purchasers, are looking for cheap 727-200s and used wide-bodied planes. The Africans will buy DC-8s and even the very old 707s. Much of the rest of the market, including the national airlines of South America and Asia, cannot sustain many new orders.

The European market is more a worry for Boeing than a source of expectations. The European national airlines were very badly hurt by the combined Freddy Laker-U.S. deregulation fare cutting, and do not look kindly upon U.S. aircraft manufacturers. Besides, they have their own aircraft, the A-300 Airbus, which is not only superior in design to the 757s but was designed specifically for European air routes.

According to a U.S. General Accounting Office report dated March 18, 1982: "The Department of

Labor estimated that the European Airbus Industries consortium captured approximately 38 percent of a traditional U.S. export market in the first half of 1979 with the A-300 Airbus. The Office of the U.S. Trade Representative believes this percentage is likely to increase over the next decade." A recent large Brazilian order of Airbuses confirms the trend in Airbus sales.

Airbus competition alone would not necessarily doom Boeing to unprofitability on its 757/767 lines if the Europeans were the only major commercial airframe competitors up to the year 2000. There are in fact financial ties running through Warburg banks that bind both companies together at the top. The question is whether any new technology will render the existing new planes obsolete.

Boeing admits that while the 757/767 is more efficient, it represents no technological improvement, as did the first jets over piston planes and the two-engined jet aircraft.

The fact that the 757/767s are merely modernized old planes is strikingly clear from a publicity photograph (see above) provided by Boeing. In the photograph is every model jet made by the company since

1954. But for size, they are basically the same aircraft with engineering modifications, the most important being much more efficient engines. Otherwise the aerodynamics and flight capabilities—these are all sub-sonic aircraft—as well as the construction techniques and materials are basically those that produced the Korean War-vintage B-52s.

Boeing is confident that no new technology will pop up. “Is there some external event ‘X’ during the next decade which, when combined with technology advancements, will make the airplanes currently being delivered to the airlines obsolete? Maybe, but we don’t think so,” they say in a February 1981 paper titled “Aircraft Economic Obsolescence.”

Boeing has reason for its happy belief that technological advances won’t engender competition. Since World War II, the United States has been the source of most aircraft technology, as the taxpayer funded it through military aircraft development. The jet age was created by the Air Force’s B-52, which became the Boeing commercial 707, and the widebody craft were created by the Air Force’s C-5A cargo plane development. But for the B-1, whose fate is still in doubt and which is not easily adaptable to commercial application, there is currently no military program in the works which will provide the new technology.

Boeing itself refused to promote one major technological advance, the supersonic aircraft (SST), which finally died in Congress. Thus it can say that there is no new technology between now and the end of the decade that will compete with what are now in fact obsolete planes being produced.

A whole range of technologies could be opened up, however. There are vertical takeoff and lift (VTOL) planes, new aerodynamic designs, the supersonic aircraft, very large carriers and freighters including atomic-powered ships, some of which could be built with molded bodies rather than riveted alloy bodies.

The only concern of Boeing, and also Airbus, is Japan’s aircraft industry. It was banned after World War II and began in a very limited fashion in 1954, servicing U.S. military aircraft. Today, still relatively small, it receives 86 percent of its orders for military aircraft parts.

The Japanese Ministry of International Trade and Industry has now made commercial aircraft development a priority for the Japanese economy. Boeing knows that means a full-scale commitment to produce in several areas of the market, from 70-seater commuter aircraft to direct competitors of the 757 and Airbus. Japan must enter the tight market with a superior aircraft, possibly one designed for subsequent modifications, making the Boeing and Airbus designs outmoded.

This has made Boeing howl. In March 1982 the

General Accounting Office, which provides anti-industrial “technical advice” to elected officials, issued a report entitled “U.S. Military Co-Production Programs Assist Japan in Developing Its Civil Aircraft Industry.” The report does not recommend a halt to military co-production or to co-production of the Boeing 767, but seeks to stamp out the possibility of Japanese-built “world class aircraft.” The GAO concludes, “The Department of State and Defense have not given adequate attention to the economic implications of co-production along with the political and military objectives. . . . The United States receives some economic benefits from co-production with Japan in the form of licensing and technical assistance fees. However, there could be long-term adverse effects on the U.S. economy. Co-production by definition involves the transfer of technology and industrial know-how. The transfer of military technology with commercial application could contribute to the erosion of our technology-based comparative advantage.”

Consider the assumption here: the United States will not use this technology in its own aircraft. The same assumption is clear in the Boeing document quoted above.

The second assumption is mere hypocrisy: namely, that the Japanese are using military production programs as the base for future commercial aircraft. How did the United States develop its commercial aircraft, or Great Britain, or France, or for that matter the Soviets? The GAO Report further misleads by failing to explain that the Japanese are seeking U.S. or European partners in their commercial aircraft bid.

In a letter to the GAO, Beatrice N. Vaccara, Director of the Bureau of Industrial Economics in the Department of Commerce, raised the alarm: “In our view, the report does not focus sufficient attention on Japan’s motivation in promoting the F-15 co-production agreement. Does the co-production under review represent another mercantilist ploy through which Japan seeks eventually to manipulate trade flows to the advantage of its national economy?”

Imagine that from the United States, which has maintained its monopoly of commercial aircraft sales by every imaginable means, having achieved an ascendancy far more complete than even IBM’s control of the world computer market. Boeing boasts, for example, that the U.S. aircraft industry, with \$12 billion a year in exports, is the largest single manufacturing exporter in the U.S. economy. Yet Japanese “mercantilist” efforts to bring advantage to its economy are deemed intolerable.

Undersecretary of Commerce Lionel Olmer—whose desire to crush Japanese industrial development, as expressed in an interview in the May 25 issue of *EIR*, is now becoming a scandal in Japan—said in a letter to

the GAO: "Commerce has been very concerned for some time with the ease with which Japan obtains a broad range of U.S. technology for virtually nothing and then uses it to become a fierce competitor. . . . It is apparent from the [GAO] report that Japan has used co-production as a means of obtaining high technology necessary for moving toward development of such an industry. It is also apparent that the flow of technology and overall benefits has essentially been one-way to Japan."

Olmer, who is here demanding curtailment of technology transfers, has not only been vociferous in demanding that Japan open all its markets, including its national banking system, to Dope, Inc.'s hot-money flows, but is now demanding a closure in sales of technology to that country.

If Boeing, the Commerce Department, and the Office of the Special Trade Representative are so concerned with Japan's technological applications, why aren't they demanding that Boeing, too, reach state-of-the-art production? Moreover, if Boeing is so concerned about Japanese competition in a tight market, why did Boeing simply watch the American airline industry collapse?

At no time did Boeing protest the easily anticipated results of deregulation. In the speech to the Internation-

al Club in Washington, D.C. cited earlier, Boeing's H. C. Munson declared, "When Senator [Howard] Cannon [D-Nev.] recently asked the ATA [Airline Transport Association] if Congress should consider re-regulating the airlines—the answer was categorically 'no.' I agree with the ATA's response to the Senator." Munson's solution for the horribly pinched industry was to use the multibillion tax rip-off known as the Safe Harbor Leasing (sale of tax credits by corporations in the red) contained in the 1981 Tax Recovery Act.

Boeing's failure to use its own most advanced technology in its commercial aircraft, its defense of deregulation, and its fear that Japan may enter the aircraft market can have only one explanation. Boeing is indifferent to the commercial aircraft market—as long as the Japanese don't enter it—and it will probably turn to military production for its profits. Like its earlier planes, the 757 and 767 are essentially military transport craft turned to commercial service.

At present, the only market that is expanding is the military. Boeing, Commerce, and Special Trade Representative's Office are concerned that Japan be maintained as a parts supplier, essentially integrated into the NATO procurement standardization. That means that aircraft and other industries would be stripped down to the level required for a shrunken, militarized economy.

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## 'U.S. banks undercapitalized'

*The Swiss-based central bankers are screaming about risks because they want U.S. bank lending cut.*

Alexandre Lamfalussy, Managing Director of the Bank for International Settlements (BIS), stated May 31 that U.S. commercial banks are in the "worst position" of any national banking sector to weather the coming international banking crisis. In a speech to the American Bankers' Association annual International Monetary Conference, in Vancouver, Canada, Lamfalussy told assembled U.S. bankers that "the excessively thin capital base of American banks must be regarded as dangerous."

Lamfalussy speaks for the central bankers of Britain, Italy, Switzerland, and their U.S. pawns at the Federal Reserve, who control the BIS, the "central bank for central bankers." For some time, the BIS has warned that commercial banks in general, led by U.S. banks, have too little capital in ratio to their assets (loans outstanding). As the quality of those assets, i.e., the increasing inability of Third World and bankrupt corporate debtors to repay the loans, has declined, the BIS has intensified its calls for banks to improve the capital/assets ratio.

Lamfalussy's comment is well taken, on the surface. U.S. bank capital is quite low by European standards, and has not improved much over the past three years, while loans (assets) have mushroomed. The 391 largest U.S. banks' capital/asset ratio went from 4.61 percent in 1979 to only

4.77 percent at the end of 1981, Fed figures show. Total capital of many banks could be wiped out by simultaneous international defaults.

The 35 largest banks in the country, furthermore, will need to issue \$2.1 billion in new capital (stocks) during the next five years, one bank analyst estimates, just to maintain present ratios.

The BIS's Cooke Committee, made up of the bank supervisors of each central bank, called for uniform improvement of bank capital ratios last year. The U.S. Federal Reserve has already moved to enforce the BIS policy. A new Capital Adequacy Guideline issued by the Fed to commercial banks last December required community and regional banks (with under \$15 billion in assets) to raise their ratios substantially.

Multinational banks were given no uniform numerical standards, but were put under intense "monitoring on an individual basis," the Fed Guidelines announced, to ensure ratios improve in the future: "The supervisory agencies are increasingly concerned about the secular decline in the capital ratios of the nation's largest banks."

"I wouldn't call it dangerous, but I would certainly say bank capital is on the thin side in the U.S.," Fed Governor Henry Wallich told a reporter June 3.

What's really afoot here, however, is not a question of "safety first," but a concerted move by the

BIS and the Fed to *cut U.S. bank lending*. As one Fed official told me June 3, "the bank stock market is so depressed that banks do not have the option of increasing capital/asset ratios by issuing more stock. In fact, there have been very few attempts by banks to sell stock issues. Their only option is to reduce their rate of assets growth"—their lending rate. On May 26 of this year, the Fed did attempt to mitigate this by issuing a second capital Policy Statement to allow banks to make convertible bond issues in the Euro-bond markets and count them as part of primary (stock) equity, since the bonds are to be paid back when due with stock issues.

But the BIS and Fed intend to reduce net international lending—and that is why they are shouting about "increasing risk" in the world banking system just while they are pointing out banks lack adequate capital. "It is particularly in view of the *increased risks domestically and internationally* in bank lending," the Fed's December Guidelines noted, that "policies designed to arrest the decline in capital ratios will be *modified* to insure appropriate steps are taken [emphasis added]."

So far, Governor Wallich says, the BIS and Fed have not yet moved to take new stricter measures to "modify" requirements, but have attempted to "nudge banks in the right direction" by talking up risks.

Central bankers' warnings on Polish, Argentine, and other defaults are designed "to create healthy fear," he said, adding that the U.S. threat to force Poland into default has had "some good effect on the bank capital debate, nudging banks in the direction" of cutting risky loans to the East bloc.

## Now capital goods are plummeting

*As consumer goods production stagnates at below 1976 levels, production of capital goods is starting to collapse.*

**T**he announcement June 3 that new factory orders had fallen by 2.3 percent in April, and that new home sales had fallen by 15.3 percent for the same month, has tended to dampen the enthusiasm of those predicting that the recovery is just around the corner.

Indeed, U.S. industrial output for the first four months of the year points to an ominous trend which, if it continues, will mean another ratchet downward. That trend is the precipitous fall in capital-goods production.

Although capital-goods spending has slackened since Fed Chairman Paul Volcker began raising interest rates in August 1979, this sector had been spared the worst of Volcker's depression. The brunt of the economic downturn for the last two-and-one-half years has been in the consumer-goods sector, led by housing and auto, and in those industrial sectors that feed consumer goods, such as steel and rubber. Now the bottom is falling out of capital goods, which for the first four months of 1982 fell at a 15 percent annualized rate.

The same period shows a strange double-track performance. Consumer-goods production overall has gone from a Federal Reserve Board index of 142.0 in December to 142.5 in April, after dipping in January and February. In other words, consumer goods output has stagnated. It must be remembered that the Federal Reserve's industri-

al production index excludes housing; were housing production included, the index would have fallen for the first four months of the year.

Nonetheless, it is interesting that apart from housing, consumer-goods output did not fall. The reason is that two sectors performed rather well: auto output and the production of home goods, such as furniture and appliances.

Auto output for the first four months of the year has risen at a 33 percent annualized rate. However, this rise is deceptive. First of all, the December level represented only 3.5 million units a year, a third of the 1978 level. Many consumers who had put off buying a car had to finally get a new one, because the average age of a car on the road had risen to seven years, the highest in post-war history, while the average life of a car is three to five years. Secondly, some of this output has gone into unsold inventory.

Home goods rose by a modest 14.4 percent rate since the beginning of the year through April. Here the reason for the increase seems rather straightforward: with the drop in home sales, people were putting the money they would normally spend on homes into fixing up the house they already have.

No one should be under any illusion that consumer-goods production is actually doing well; the overall output index in April was still below the level in 1979. In fact, it is lower than the 1976 level.

What has changed is that as consumer-goods output stagnates, production of capital goods, which had risen generally the last three years, has begun to decline. Business-equipment output has fallen at a 22.3 percent annual rate for the first four months of 1982, led by the collapse of the one go-go area of the economy: the energy sector. In 1979-81, oil, gas, and coal prompted euphoria. The United States was going to have a coal export boom, the rumor was. Synthetic fuels were going to be the next new boondoggle. And oil and gas drilling generated orders for equipment, steel, concrete, and so forth.

The coal export boom, the Commerce Department has been forced to admit, hasn't materialized. Exxon Corporation's cancellation of its \$6 billion Colony Shale Oil Project near Parachute, Colorado signifies the death, for the time being, of synfuels. Oil and gas drilling is plummeting. Thus, during the first four months of 1982, building and mining equipment production has fallen at a 53 percent annualized rate.

Commercial construction contracts have fallen from 981.7 million square feet in the second quarter of 1981 to 750 million in the first quarter of 1982, as the rush to build office buildings and shopping centers has died down.

Perhaps most damaging to capital-goods production is that with capacity utilization of American plants falling during the depression, capital spending is evaporating. The capacity operating rate for all manufacturing was 78.4 percent in 1980. In the first quarter, it was 67.0 percent. And as the economy contracts, the fall in capital goods will deepen.

## U.S. grain: for sale cheap

*The Soviet Union isn't buying; Argentina's current problems are no cause for rejoicing either.*

The food-export weapon held by the United States and aimed at the Soviets for so long appears to have backfired, leaving the United States holding massive stocks of grain, with collapsing export markets and depressed prices. At the May 21 U.S.-Soviet biannual grain consultations in Paris, the Americans had hoped that the Argentine war would influence the Soviets to return to the U.S. grain market.

But nothing definite was said at the meeting, nor was there any hint that the Soviets would buy beyond this year's purchase agreement of 13.8 million tons. With a surplus of 35 million tons, the United States had offered 23 million tons. More significant was the fact that the administration did not give Agriculture Department representatives the green light to offer the Soviets a new five-year Long-Term Agricultural Agreement or an extension of the old one. The Soviets took a hard line, having purchased all their needs for the first six months of this year. Even though they do need to import well over 40 million tons, they essentially told the United States to get in line.

When the Long-Term Agreement (LTA) expires on Sept. 30 the U.S. will be without its largest export market. This agreement, originally a five-year one, and extended one year at a time, ensures that the Soviets will pick up at least 6 million tons of grain. The United States would have liked them to

take the full 23 million tons offered. The Agriculture Department is hoping that the LTA discussions will begin in June or July. So far the Soviets have shown little interest.

Reflecting depressed market prices, U.S. farm exports for the first time in 13 years failed to increase. Low prices tend to prompt the farmer to grow more, hence the bumper crops.

President Reagan is under pressure from the farm states to do more to increase exports. Net farm income fell by 30 percent in 1979-81; another expected 30 percent drop this year will result in the lowest levels since 1934.

Grain dealers are extremely pessimistic; the entire industry is heading into a slump, and the only bright spot on the horizon is the expectation that the Soviets, and possibly the Chinese, will buy U.S. surpluses. But, complained one leading grain dealer, since Poland, the administration "has clapped a de facto embargo on grain exports."

For two months the Soviets have not indicated where or what they will be purchasing. When the Soviets are not in the market, the dealers get edgy. With the South Atlantic war, the dealers are especially nervous.

Starting in 1979 with the Afghanistan invasion, followed by the Polish crisis, the Carter administration imposed an embargo of grain sales beyond the contracted minimum, leaving American farmers

with massive stockpiles. The embargo sent the Soviets in search of alternative and more reliable sources. The United States became a residual rather than primary supplier.

Soviet grain imports increased from 15.1 million tons in 1979 to 34 million in 1980-81. The United States supplied 12.5 million tons in 1979, and only 8 million in 1980-81. This year's projections are for Soviet imports of 43 million tons. Though the United States could well supply half, it will supply only 15.3 million tons.

Argentina will supply 12.7 million tons for 1982, or some 60 percent of Argentina's total production. Canada and Australia have stepped into the Soviet market, as has the European Community.

Anglophile press outlets in the United States are gloating that the Soviets will be hurt by the Malvinas war because they will not be able to get credit, or perhaps receive their remaining shipments. In reality, the Soviets have completed their shipments save about 0.7 million tons, and as this is the second year of a five-year agreement, next year's purchases are assured. The Soviets have bought over 8 million tons above their contract minimum for this year.

Thus, in a way, it is the Soviets who are wielding the advantage. At the Paris meeting, they stated that they would buy grain wherever they could get credit. Since the Reagan administration is trying to restrict credit to the Soviets, it is not likely they will be buying very much here next year. However, the Agriculture Department is trying to reverse this decision, and openly claiming that they would not discourage short-term credits.

## Carter's policy again?

*An important but too-little-noticed flank in the nuclear fight is the reprocessing issue.*

On one level it is a paradox. The Reagan administration, including the President himself, is on record reversing the disastrous April 1977 Carter-Trilateral Commission policy attempt to halt advanced nuclear fuel cycle technology. It has lifted Carter's political freeze of domestic nuclear reprocessing and further indicated a more open "common sense" approach to the fact that nations such as France, Japan, and others have remained steadfast in commitment to advanced nuclear breeder and reprocessing development.

Yet the United States is further than ever from a serious commitment to breeder-reprocessing development. Even the pathetic \$10 million request from the administration in the FY83 budget for work on the sole remaining nuclear fuel reprocessing facility, the Allied-General Nuclear Services facility at Barnwell, South Carolina, is under budget attack.

Faint hope was aroused in some quarters by the fact that a new reorganization of the Energy Department's nuclear division adds a Deputy Assistant Secretary for Reprocessing. And many in the nuclear industry took favorable note of a March 24 public talk by Ashton O'Donnell of Bechtel National Inc., where he stated that their detailed evaluation of the potential for commercial reprocessing at the largely completed Barnwell facility showed no insurmountable obsta-

cles . . . other than political commitment.

In a previous column, I emphasized the importance of cutting the delays and getting on with the Clinch River fast breeder construction. But that money, as dear as the project is to the senior Senator from Tennessee, will be water down the drain without a simultaneous commitment to reprocessing.

What are termed "spent fuel rods" from conventional light water reactors actually contain some 96 percent reusable uranium and plutonium fuel which is not "waste," but rather valuable fuel for use in light water reactors and breeders. The plutonium needed to trigger Clinch River's breeder process is only available as a product of reprocessing.

So statements attributed to a very reliable industry source that as senior a Reagan nuclear official as former Bechtel official Ken Davis, now number two at DOE, supports the breeder but adamantly opposes reprocessing technology, leads us to suspect his overall commitment to nuclear development.

Officially, however, the Reagan administration remains locked into a "free enterprise" solution, a euphemism for killing the project. In this case, David Stockman and others, many of whom are pushing Stockman's pet project to dismantle DOE as a way of finally killing nuclear energy development, and piously arguing for "giving re-

processing to the private sector."

There is a bitter irony. I have had discussions with a number of people who have been involved with the effort to develop reprocessing for as long as 15 years in some cases. Before Carter made his April 1977 anti-reprocessing speech, industry had been eager to assume responsibility for commercial reprocessing.

An outgrowth of the original 1950s Atoms for Peace nuclear program, reprocessing and breeding would increase uranium fuel supplies by a prodigious amount, approximately 60-fold from present uranium availability. Further, of course, they overcome the so-called radioactive waste bugaboo, making only some 4 percent of high-level radioactive matter unusable. And that residue can be vitrified in proven technologies and buried deep in the core of the earth, or as some suggest, shot into outer space to join other radioactive matter.

France is presently capitalizing on a multibillion dollar international reprocessing market at its La Hague government facility. It is taking Japanese, Swedish, and other spent fuel and reprocessing it for about \$800 per kilogram, soon to reach a reported \$1,000 per kilogram. One industry source told me that Barnwell could do the same job for about \$425 per kilogram.

But this cannot be done before the administration breaks its Catch-22 reprocessing policy. A spokesman from Allied summed up the dilemma: "Private reprocessing equals a policy of no reprocessing," as long as the government refuses to take sufficient steps to guarantee against another Carter lunacy. Good intent is necessary but hardly sufficient.

## Trade Review by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
	U.S.A. from Japan	General Motors will import 150,000-200,000 Chevette-sized front-wheel drive compacts made in Japan by Isuzu Motors. GM is increasing its stake in Isuzu to 40% to help it gear up production of new model. GM also talking with Toyota about a joint venture to make Toyotas in a greenfield plant in the U.S.	Technological decline of U.S. has forced auto makers to go Japanese to compete.
\$17 mn.	Japan from U.S.A.	Baker International of California building plant in Japan which will produce specialized tools for oil and mining industry.	Joint venture with Nippon Steel and Nippon Steel Metal Products.
\$157 mn.	U.S.A. from West Germany	Pennsylvania Dept. of Transportation has ordered 1,000 city buses from a German manufacturer, Neoplan. The buses will be built in Lamar, Colorado, using suspension units and some other components made and pre-assembled in Germany. But engines, transmissions, axles and many other parts will be made in U.S.A.	
\$70 mn.	U.S.A. from Sweden	A new coal-fired electric plant being built by Grand River Dam Authority at Pryor, Oklahoma, is having flue gas cleaning system made and installed by Fläkt of Sweden.	
\$350 mn.	Indonesia from U.K./Sweden	Indonesia's state electric company awarded contract for Mreca hydro-electric project to British/Swedish combine after fierce foreign competition. Project is for 180 MW dam and power facilities in central Java. Winners are Balfour Beatty, Skanska Cementgjuket, Asea and Sweco. Will be financed at 7.75% by Swedish govt. and Barclay's.	Japanese and French angry at losing contract in which everyone dealt under the table with their local assets.
\$204 mn.	India from Nauru	India and Nauru, a western Pacific island covered with phosphates, have agreed to set up fertilizer plant using Nauru phosphates in Orissa state of India. Plant will make 130,000 tpy nitrogen and 330,000 tpy diammonium phosphate.	
\$400 mn.	Saudi Arabia from Turkey	The Turkish consortium of Kutlutas-Enka is building 2,000 houses in Medina. Amex Bank is financing \$96 mn. advanced payment and performance bond.	Turkey has \$12 bn. in overseas contracts, 70% in Libya.
\$46 mn.	China from France	Minequip of France has sold China coal-mining equipment for Yanzhou field in Shandong province. Equipment financed by Société Générale at 7.5% buyer credit.	Mine will yield 4.4 mn. tpy coal.
<b>UPDATE</b>			
\$780 mn.	India	Indian Govt. has approved construction of new port at Nhava Sheva, near Bombay. Port, including ample container facilities, is designed to ease Bombay congestion, which has caused \$104 mn. revenue losses by official calculations.	Financing includes \$330 mn. from World Bank; \$220 mn. in rupees from Bombay Port Authority; suppliers credits.
	Poland from U.S.A.	U.S. Corn Growers Association delegation in Warsaw seeking way to get around freeze on bank credits to Poland to permit Poland to import up to 1 mn. tons of corn.	Poland is offering to barter sulphur, cement, and coal.
	Venezuela/Spain	Spanish state oil company, Instituto Nacional de Hidrocarburos, is negotiating deal with its Venezuela counterpart, Petroven, for exchange of crude oil from Latin America for Spanish refined products.	In similar deal signed August 1981, Spain receives 500,000 tpy Mexican crude and sends back annually \$130 mn. refined products.

# Business Briefs

## **Federal Budget**

### **Volcker forcing Treasury into bankruptcy**

Reviewing the preparations for the Versailles economic summit and the collapse of the U.S. budget legislation process precipitated by Fabian Democratic Speaker of the House of Representatives Tip O'Neill, *EIR* founder Lyndon LaRouche had the following comments on June 3.

Over the course of the summer—perhaps within 30 days—the enemy's perspective is that the federal government of the United States will disintegrate financially, he said. If the process continues it will be thrown into default and (as under the Versailles plan) into International Monetary Fund receivership.

The markets will be unable to finance the mammoth federal deficit. Debt service on Treasury paper will not be paid. Welfare checks and Social Security checks will not be issued. Federal employees will go unpaid, and government procurement will halt.

The blame, said LaRouche, lies with Federal Reserve Chairman Paul Volcker; with AFL-CIO President Lane Kirkland, who has supported Volcker when he could have forced his ouster; and with Jimmy Carter, who installed Volcker.

Unless President Reagan puts a stop to the nonsense planned for Europe, LaRouche continued, and comes back to Washington to dump Paul Volcker, this is the magnitude of bankruptcy slated for the United States.

## **North-South Policy**

### **Mexico's former President blasts Brandt report**

Former Mexican President Luis Echeverria called June 3 for the scrapping of the Brandt Commission approach to developing nations' economies. In the strongest language yet used by a leader of the underdeveloped sector, Echeverria

denounced the report on North-South relations issued by the group headed by Socialist International chairman Willy Brandt as a ploy to retail "free trade" to the underdeveloped sector. And "free trade is equal to slavery," Echeverria said in Algeria in an interview released by Inter-Press Service. The Brandt Commission advocates both "free enterprise" resource grabs and "socialist" self-help, as opposed to industrial development.

What "Brandt, [Adam] Smith, Friedman and others" have to say about relations "between exploiters and exploited is false," said Echeverria. He charged that the Brandt Commission was set up in an attempt to defuse the call for "a new international economic order made by the United Nations General Assembly in 1974."

## **International Monetary Fund**

### **IMF for more pain, less credit**

The International Monetary Fund, in the 1982 World Economic Outlook released May 27, has demanded that governments continue the tight-money policy of Federal Reserve Chairman Paul Volcker.

The IMF, the lender of last resort to governments, demanded that governments have "sufficient patience" to carry out the current policy indefinitely. "One cannot expect the existing major problems to be handled quickly, easily, or painlessly," the IMF report stated.

The report specifically warned against any effort to increase employment in the Western nations. Any attempt to expand credit to industry now, the Fund lied, would only make the situation worse: production, in the IMF's view, would be counterproductive.

The IMF forecast that if its tight-money recommendations are carried out, official unemployment in the United States would remain at 9½ percent during all of 1982 and 1983.

The IMF also demanded that the U.S. Congress and President Reagan immediately knuckle under to the demands to cut the U.S. budget.

The IMF openly acknowledged that high world interest rates are bankrupting the nations of the Third World, who cannot afford to borrow for trade or to pay their debts, "resulting in serious strains on their external financial positions." However, the report recommended that the Third World take more of the same medicine.

## **Capital Investment**

### **U.S. machine-tool orders cut in half**

The National Machine Tool Builders Association reports that orders for new stamping and cutting tools for April 1982 were only half the level of the previous year, and only one-third the level of 1980.

Net orders for the industry were \$153.8 million compared to \$319.9 million in the same month the previous year.

The sector has continued to produce at relatively high levels because of an order backlog which it is now rapidly working through. The backlog stood at \$4.96 billion in April 1981 compared to \$2.5 billion this April.

## **U.S. Industry**

### **Steel companies shutting down**

U.S. steel companies are running down their plant and equipment intentionally, with no plans to replace it. David Roderrick, chairman of U.S. Steel said in the May 31 issue of *Business Week* that his company may decide to close down a mill over a period of years by providing money only for the barest upkeep. That appears to already be the fate of the Bethlehem Steel Corporation's 3.5-million-ton mill in Lackawanna, New York. "We expect to keep Lackawanna running quite a while with no capital improvements," admitted Bethlehem President Walter F. Williams.

## Briefly

Similarly, National Steel Corporation has decided to stop investing in its 4-million-ton steel mill in Weirton, West Virginia. National Steel's President, Howard Love, has told the plant's workers that they can either buy out the plant and run it themselves—which will mean sharp worker pay cuts and layoffs—or accept his decision to halt further investment there.

U.S. Steel is reporting that it is paying more interest on the bond and loan payments that it undertook to buy out Marathon Oil than it is earning from Marathon. The nation's largest steel producer is therefore selling off real-estate assets and selling steel products at below production costs to keep cash coming into the company.

The American steel industry was operating at only 48 percent of capacity for the latest reporting week.

### *Mexican Economy*

#### **Bankers' conference moots the Chile model**

Manuel Espinoza Iglesias, chief of Mexico's largest bank, Bancomer, crowed that his banker faction is in a position to dictate Chile-modeled policies in Mexico, in a featured address to the Mexican Bankers Association meeting in Acapulco, June 1.

"I believe that this is finally being understood: one cannot surround the economy with a fiction that sooner or later falls to the ground. Some governments are realizing this and are making an effort to rationalize expenditure. This is what is happening in the U.S., in England, and before that, in Chile."

No major private-sector figure in Mexico has dared before to publicly advocate the fascist Friedmanite policies of Chile on such an occasion.

Espinoza Iglesias also urged that special advantages be given to foreign investment, to "substitute for direct foreign borrowing."

There were indications that Espinoza

felt confident about raising such a program in public because a deal had been struck with the government: relaxation of the immediate threat of devaluation of the peso, a threat his faction has been wielding since early May, in return for concrete first steps in the Chile direction. Finance Minister Silva Herzog announced at the meeting that the government has reentered the market to support the peso (a program of mini-devaluations starting at the current 47 peso to the dollar level), and that reserves are now \$3.9 billion. Neither announcement would have been made if the government considered itself under an immediate flight-capital gun.

A "foreign investment inflow" in Bancomer's terms means a Dope, Inc. inflow.

### *East-West Trade*

#### **Soviets, Germans probe new energy agreements**

New Bonn-Moscow economic projects in the sphere of energy development were the subject of talks when the high-ranking Commissioner for the German-Soviet Economic Commission, Leonid Konstandov, went to Bonn on June 2.

According to the June 2 issue of the West German business daily *Handelsblatt*, a centerpiece of discussion was coal liquefaction, for which the Soviets reportedly seek 7 billion DM of project orders. Ruhrkohle AG, KHD, Krupp, and Salzgitter are among the potential vendors.

*Handelsblatt* notes that West Germany's trade balance with the U.S.S.R. is showing an increasingly negative curve, because the Soviets are delivering natural gas already to the Federal Republic, and using the revenue to develop Siberian energy sources, while (though *Handelsblatt* does not spell out the other side of the balance) West German exports are falling off. The news report ends with a comment that politicians in Bonn are debating what to do about Moscow's potential to sell surplus gasoline or diesel fuel to Western Europe.

● **AN INTERNATIONAL** consortium of banks, led by the Long-Term Credit Bank of Japan, has granted Argentina's state-run oil company YPF a six-month extension for repayment of a \$100 million loan. Despite British and U.S. pressure, Japan has refrained from imposing economic sanctions against Argentina during the South Atlantic crisis, and remains committed to strengthening economic ties with Buenos Aires as well as other Latin American countries such as Brazil and Peru.

● **CHINESE** offshore oil contracts will be given to Japanese firms if the terms offered by Japanese oil companies are the same as those of other bidders, pledged Zhang Jingfu, Minister of China's powerful State Economic Commission during a June 2 meeting in Tokyo with Shintaro Abe, Japan's Minister of International Trade and Industry. This is the latest in a series of steps taken by China to allow Japan a special role in its economic plans.

● **JAPAN'S** gold imports by air jumped by a factor of 2.8 during the November-April period from the previous six months, according to the Tokyo Customs Office. Gold bar imports amounted to 174 tons, almost \$2 billion worth.

● **THE UNITED NATIONS** Food and Agriculture Organization expects world grain production for 1982 to remain somewhere near the 1981 level of 1.5 billion tons. Soviet harvests of wheat, the FAO estimates, will increase considerably if good weather continues, though import needs will continue. Southern African production is in an "extreme" predicament because of drought, the FAO emphasizes.

## **Debt weapon on the agenda for Latin American nationalists**

by Dennis Small, Latin America Editor

The nations of Latin America are actively—and publicly—considering use of the “debt weapon,” combined with the seizure of British assets throughout Latin America as contraband of war, as the quickest way to put an end to Britain’s onslaught against the American continent. Using the “debt weapon” would mean selectively withholding payments on Latin America’s combined foreign debt of over \$250 billion, until the British and their allies end their colonial war in the South Atlantic.

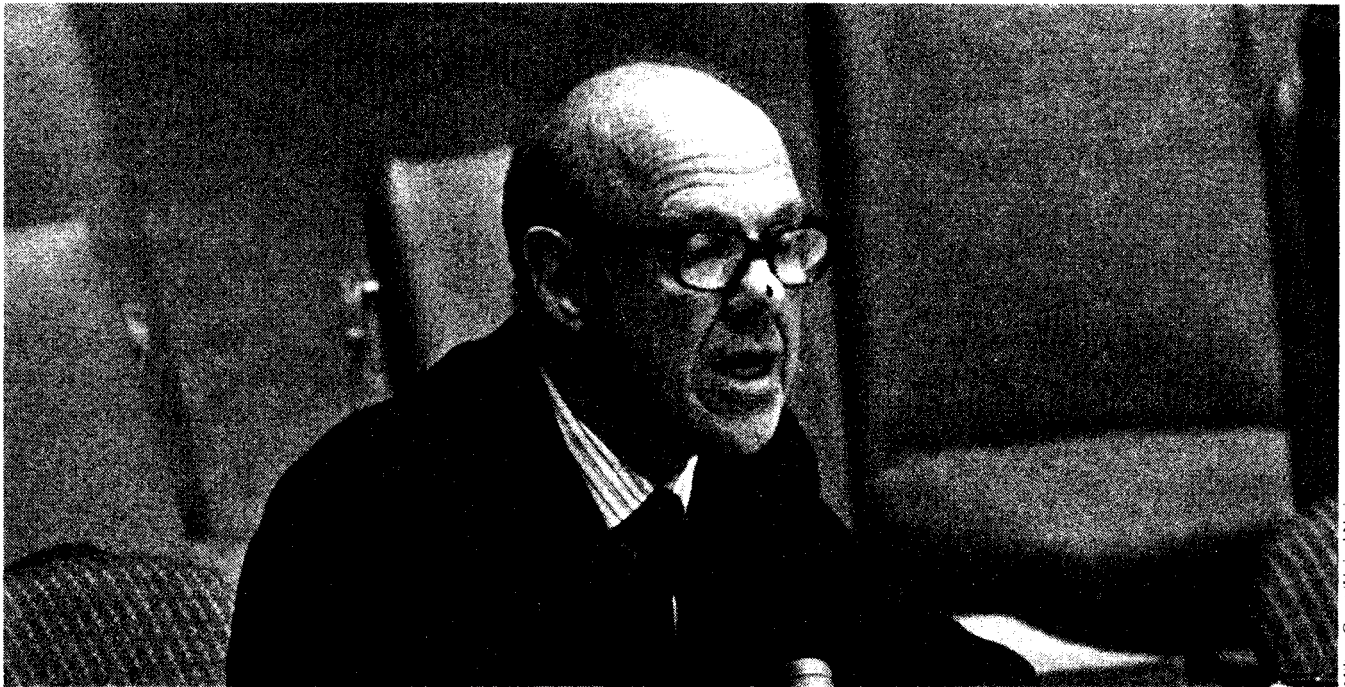
The use of the debt weapon was first proposed by *EIR* founder Lyndon LaRouche on May 23 during a visit to Mexico, in the course of which the American political figure met with senior government officials, including Mexican President José López Portillo. LaRouche’s proposal also circulated widely at the emergency session of the Organization of American States in Washington, D.C., convoked at the end of May to study how Latin America might come to Argentina’s aid against the British.

LaRouche is suggesting that Argentina and its allies in Latin America—in particular big debtor nations like Brazil, Mexico, and Venezuela—take advantage of the City of London’s financial distress and threaten to bring down their whole house of cards through targeted non-payment of debt—unless they stop their armed aggression against Latin America. LaRouche has further urged that such “debt blackmail” be used to force a long-overdue reorganization of the world monetary system along lines conducive to capital-intensive growth.

Up until a few weeks ago, no debtor nation in the world would have taken such a proposal seriously; they feared being permanently blacklisted and strangled by the large commercial banks and by the International Monetary Fund. Leading Brazilian politicians, for example, told this writer last month that they could not risk alienating London, upon whose good graces they depend for refinancing their \$70 billion in foreign debt.

But the British move against Argentina has convinced many Third World political leaders that their own sovereignty and very existence as nations is





Milton Grant/United Nations

*Argentina's Foreign Minister Costa Méndez addressing a U.N. Security Council meeting on April 3. The possibility of a superpower confrontation arising over the Malvinas is serious, he warned EIR.*

threatened by the kind of NATO "out-of-area" deployments now being suffered by Argentina. As a result, they have begun to "think the unthinkable"; they have begun to realize that debt is a double-edged sword, which can readily be used against the British.

### Official statements

It would be "perfectly legitimate" for Argentina to cease payments on its debt to Great Britain, Panama's Foreign Minister, Jorge Illueca, told this magazine in an exclusive interview granted at the OAS meeting. "Mr. LaRouche's proposal . . . is a very important proposal for any official of a Latin American government," the Panamanian spokesman warned gravely.

Argentina's Foreign Minister, Nicanor Costa Méndez, also spoke to *EIR* at the OAS and left the door open to the use of the debt weapon: "The possibility cannot be ruled out," he explained.

Across Latin America, political and business leaders are beginning to talk openly of using the debt weapon. Raul Cuello, for example, one of Argentina's prominent economists, told a gathering of Argentine industrialists on May 28 that Argentina must "declare a moratorium on its foreign debt" as the only way to make the colonial powers understand that "it is impossible that they try to collect on their debts while they blockade us."

The moment has come for Latin America to send military aid to Argentina and apply economic sanctions against the "aggressors," the Peruvian daily *El Diario*

argued in a front-page story on May 29. The paper added that Peru should take the lead in demanding that other Third World countries, especially the Latin American nations, suspend payment on their foreign debts. Top Venezuelan politicians are also calling for increased military and economic aid to Argentina.

### London reacts

The London *Financial Times* summed up the situation, as they view it, by nervously warning that there are growing pressures "inside and outside the Buenos Aires government for a unilateral moratorium to be declared on Argentina's foreign debt." Argentine Finance Minister Roberto Alemann—whose monetarist views are much to London's liking—was forced to call a press conference to urge moderation in the face of Britain's furious assault. Those who call for a debt moratorium, Alemann urged, are "plunging a dagger into the back of the country, because they are weakening the Argentine negotiating position."

Yet for all the anti-British talk in Latin America, there has been far too little action taken to implement such noble sentiments. British military victories have been the consequence. Unless Argentina and its allies quickly open a new flank against the British—and the debt issue is by far their greatest vulnerability—then the Thatcher government will succeed in retaking the Malvinas. Such an eventuality would establish a dangerous precedent for the kind of successful NATO "out-of-area" deployments that are Britain's goal in this crisis.

## 'The Monroe Doctrine applies to the Malvinas'

*Argentina's Foreign Minister Nicanor Costa Méndez granted an exclusive interview to Executive Intelligence Review's Latin America Editor, Dennis Small, at the May 28 meeting of the Organization of American States in Washington, D.C. Speaking on behalf of EIR, Mr. Small expressed particular pleasure at being able to present Mr. Costa Méndez's views at this time, in light of the Foreign Minister's justified complaints earlier this month that the American media had by and large presented only "lies and half-truths" regarding Argentina's views on the current Malvinas crisis. The full text of the interview is presented below.*

**Small:** My first question, Mr. Foreign Minister, concerns the applicability of the Monroe Doctrine to the current situation. In the United States, some of us have insisted that the Monroe Doctrine means the British should not intervene militarily in our continent. What does the Monroe Doctrine mean to you in this sense?

**Costa Méndez:** It seems to me that the Monroe Doctrine is absolutely applicable to the case of the Malvinas, even though Senator Webster said it was not, without elaborating on or substantiating his position. Senator Webster—I believe it was in 1845—denied that the Monroe Doctrine applied to the Malvinas case, but he had no valid explanation. The Malvinas belong to Argentina because they belonged to Spain, and Argentina inherited them from Spain.

**Small:** The Monroe Doctrine was elaborated on in 1902 by one of your own representatives, Argentine Foreign Minister Drago. Would you comment on this?

**Costa Méndez:** The Drago Doctrine is a clear application of the Monroe Doctrine, opposing the forcible collection of debts from American countries by European powers. That occurred when several European powers were besieging Venezuela because it had fallen behind in its debt payments. They resorted to force to collect their

debts. Argentina opposed this and formulated what became known as the Drago Doctrine in response.

**Small:** In a certain sense, the Malvinas situation is similar to that situation in 1902 involving Venezuela. As you know, the final communiqué of the recent NATO meeting declared that from that day forward NATO members could deploy "out-of-area." What do you think of this shift in NATO strategy?

**Costa Méndez:** I believe that it is very, very dangerous, contrary to the charter of the North Atlantic Treaty Organization, and I believe that it could have unimagined international repercussions.

**Small:** Are you talking about a possible superpower confrontation?

**Costa Méndez:** I am talking about that possibility.

**Small:** Regarding relations between Great Britain and the United States, we have always said in *EIR* that the United States has had a great problem with this since 1776, and even earlier. What do you think of those here in the United States who say that Britain is the oldest and best ally of the United States?

**Costa Méndez:** I would say that it is the other way around. It is really the United States which is Great Britain's oldest ally, which has saved Great Britain from total destruction. Thanks to the United States, Great Britain won, or was among the winners, of several wars which, had she fought them alone, she would have lost. The only war in the 20th century that Great Britain won was the ignoble Boer War, fought against relatively harmless and helpless settlers. Aside from that, Great Britain has not won any wars, except with the aid, the support, and the solidarity of the United States. In my judgment, the relationship is a "one-way street," because I just don't understand what Great Britain has given the United States in exchange, except headaches and requests for money.

**Small:** That is true. One could even say that since 1776, the British have been our worst enemies.

**Costa Méndez:** I cannot go that far, because I have not studied that bilateral relationship closely enough.

**Small:** Since the birth of our American republic, our struggle has been against the British economic system which seeks to keep its colonies as mere raw material producers, while it collects on its debts. The American System of economic development, on the contrary. . . .

**Costa Méndez:** You speak exactly like an Argentine economist, because that is just what happened to Argentina. Argentina was condemned by Great Britain to be just a producer of raw materials and to have no industry

of its own. And in turn, Great Britain sent Argentina all of the industrial products it manufactured in exchange for Argentine meat and grain at prices fixed by Great Britain.

**Small:** To what degree do you think this economic matter is an underlying cause of the Malvinas problem? I ask this for the following reason: The deployment of British economic, diplomatic, political, and military might is totally disproportionate to the Malvinas itself, to some rocks in the South Atlantic. Could a desire to maintain this type of colonial economic relationship—not just with Argentina but with the entire American continent—be what is behind this huge deployment?

**Costa Méndez:** That's quite possible.

**Small:** Given this situation, it has been rumored that Argentina is discussing the problem of its foreign debt with other Western Hemisphere countries, in particular with Brazil and Mexico. Mr. Lyndon LaRouche, the founder of our magazine, has proposed that the Latin American nations use their debt as a weapon to ensure that the British cannot continue with their military adventure. To what degree would Argentina be willing to use its debt as a weapon?

**Costa Méndez:** So far, we have not considered that, but the possibility cannot be ruled out *ab initio*.

**Small:** Regarding possible reactions from other Latin American countries. Do you think there could be some support for this kind of initiative?

**Costa Méndez:** I couldn't say at this time.

**Small:** Let's look more closely at the problem of British colonialism. Speaking as the representative of a nation that has suffered from this throughout its history, what can you say about colonialism past and present?

**Costa Méndez:** British colonialism is voracious and merciless. Its only concern is to reap profits; it cares nothing about improving the well-being or the economic development of its colonies. That is why in all of its former colonies it has reaped only hatred.

**Small:** Speaking of more positive points, what kind of inter-American system do you think should exist, that would base relations on economic development?

**Costa Méndez:** I think that what is important is not institutions, but the spirit of nations. What is important is that the solidarity which is being strengthened here as never before become permanent, that it develop and increase, and that it include all economic as well as political issues. If this takes place, I have no doubt that, as a logical consequence, the institutions will follow and flourish.

**Small:** In the early days of the American republic, and especially at the beginning of the 19th century, the concept of our Founding Fathers was to cooperate with the industrial development of the sovereign nations of Latin America. What's more, this was the fundamental philosophic concept underlying the Monroe Doctrine. What do you think of the possibility of the United States, even after the disaster of our Malvinas policy, returning to this kind of relationship with Latin America?

**Costa Méndez:** I believe that possibility cannot be ruled out. It depends on the spirit with which it is undertaken. In any case, it is a highly interesting possibility.

**Small:** What kind of support do you expect to obtain from the non-aligned meeting?

**Costa Méndez:** The non-aligned nations understand the problem of decolonization better than anyone, because nearly every one of them has suffered it first hand. Therefore, I believe that there will be great understanding and strong support for us there.

**Small:** Do you have any special comment to make on Cuba and the Soviet Union?

**Costa Méndez:** I would not care to comment on that matter, thank you.

**Small:** What can you tell us about the role of Haig as a so-called mediator in the first weeks of the conflict, and of the current role of the United States?

**Costa Méndez:** Well, Haig made an effort which was quite tainted with partiality, and that partiality finally emerged into public view when, two hours after abandoning his mediation effort, he sided clearly with Great Britain and announced the sanctions that would be applied against Argentina.

**Small:** What can you tell me of the role of the U.S. press throughout this affair?

**Costa Méndez:** I think that in the beginning it lacked sufficient impartiality, but I believe that gradually it is acquiring this. Today I believe it is acting with relative impartiality—which pleases us, and which has helped our cause greatly.

**Small:** One last question. There are some who say that the real losers in the conflict will be neither England nor Argentina, but the United States. What are the long term implications of such a development?

**Costa Méndez:** I think that is right. Because clearly Latin America will not have the same trust in and the same solidarity towards the United States that existed before the American behavior in the Malvinas case.

**Small:** Thank you very much.



## 'It would be legitimate for Argentina not to pay the debt'

Following is the text of the interview given by Jorge Illueca, Panama's Foreign Minister, to Dennis Small, Latin American Editor of EIR on May 28, 1982, at the Organization of American States in Washington, D.C.

**Small:** Panama has been one of the countries which has most supported the Argentine position in the Malvinas crisis. Why?

**Illueca:** In the first place, because Panama has a tradition which dates back to the Congress of Panama of 1826, which was held on the basis of Hispanic American independence which was, of course, an idea of Bolivar's. And since then, Panama has always had a great concern to promote the unity and integration of Latin America.

**Small:** In other words, you are saying that the current crisis is an attack by an extra-hemispheric force against the entire Inter-American system. Are we speaking, then, of a violation of the Rio Treaty [TIAR]?

**Illueca:** Yes. In reality what has come out of the debates in the OAS today is that it is as much a violation of TIAR as it is also a violation of Article 19 of the Charter of the Organization of American States, in terms of the action taken by the United States to levy sanctions on Argentina. In reality, in accordance with the Charter of the OAS, it was similarly not permissible for the United States to unilaterally impose sanctions which are measures of coercion against a country of the region.

**Small:** Do you think that the Monroe Doctrine is applicable in the Malvinas case?

**Illueca:** The President of my country, Dr. Aristides Royo, in a letter which he sent to President Reagan this week, recalls for him that the original *raison d'être* of the Monroe Doctrine was to oppose the actions of the Holy Alliance aimed at Spain's recovery of its colonies in America. But this doctrine was twisted afterwards by various actions of the United States, which used it as a means to justify its own expansionism. And many of the corollaries of the doctrine have been in conflict with the interests of the countries of Latin America. However, the Monroe Doctrine came into being to protect the United States and the Latin American region against foreign

domination, against colonialism. The demonstration that this is a doctrine which has been unilaterally applied depending on the character of the Presidents which the United States has had, is seen in the fact that the doctrine was proclaimed in the message of President Monroe in 1823, and the British action to dislodge the Argentines from the Malvinas Islands and occupy them against the Argentines' will, took place in 1833—ten years after the Monroe Doctrine.

It's clear that the United States' position on this problem has even gone against what it had itself declared in the past, since it is now promoting, encouraging, helping a colonial project which comes from an extra-continental power. In Latin America, there is the impression—which indeed is well founded—that England has only been able to exercise such aggressive action as it has, 8,000 miles from its territory, due to the support that the United States has provided it. This has created a great deal of resentment in Latin America, resentment made even more profound by the announcement yesterday that the United States was supplying England with ground-to-air and air-to-air missiles, to try to destroy the efforts Argentina is making to defend itself. That is, there has been an alliance of the United States with Britain to destroy Argentina. This is the feeling that exists in Latin America.

**Small:** In the last meeting of NATO, a final communiqué was adopted justifying "out of area" deployments. Do you think that the Malvinas war sets a precedent?

**Illueca:** In reality, what you refer to clearly represents a problem which has strategic implications. It's a kind of policy that affects the rights of sovereign countries over their geographic and natural resources if they are considered strategically important. Thus, the Malvinas are considered important as one of the strategic points for controlling the sea lanes of the South Atlantic. Of course, it is unfair that Argentina not be allowed to exercise its sovereignty over those islands, just because the members of NATO prefer that one of their members, Great Britain, be in control of them, even against Argentina's legitimate rights.

In truth, the matter is more profound, because the

United States has been acting against the backdrop of contractual agreements that it has with the countries of the North Atlantic Treaty Organization, and also agreements it has with the Latin American countries through TIAR. As I mentioned to you during our last conversation, Admiral Harry Train, for example, the head of the U.S. Atlantic fleet and the head of NATO's naval forces, made a statement in mid-April to the effect that the NATO Treaty did not obligate the United States to come to the aid of Great Britain, because that treaty applies only above the equator. However, he said that Argentina could invoke TIAR, because within the terms of TIAR there is, as you know—and I am speaking now for myself, not citing Admiral Train—a security zone, a maritime zone, a geographic zone of security that is defined by Article 4 of the Rio Treaty. If you take a look at the official maps published by the OAS, the Malvinas are included within this zone. In proclaiming an exclusion zone around the Malvinas, Great Britain is in violation of the Rio Treaty.

However, the United States has adopted an attitude that is incomprehensible for the other states that are members of the Rio Treaty. It has determined that all this is legitimate; it has determined that it is legitimate that Great Britain, after committing a criminal act, sinking the cruiser General Belgrano outside the zone that they had proclaimed, could then think that it could cover this up by extending its exclusion zone to within 12 miles of the Argentine coast, and even by endangering navigation on the Rio de la Plata, which effects countries such as Brazil, Bolivia, Paraguay, and Uruguay. All of these things are beyond the comprehension of the Latin Americans, and have caused great traumas in the region. Even Reagan administration officials have expressed their concern, because this has signified a setback in the relations between Latin America and the United States, due to the policy of the United States on this issue.

We are truly concerned, because as we have said publicly, it is important for our countries to have harmonic relations with the United States. There was always the sense in Latin America, and the United States itself used to stress this, that it was not necessary to transfer technology, particularly military technology, to the countries of Latin America, nor to transfer sophisticated weapons, because the defense of the continent was in U.S. hands. They said it was not necessary that money that could be used for other things, be spent on weapons.

I believe that there has been a reaction now. I believe that all of the countries of Latin America will find it quite legitimate to arm themselves, in order to defend themselves. Because in situations such as these, the country which was always considered a friend, the country whose democratic institutions have been an example for the world, has taken paths hostile to Latin America and now constitute, truly, a threat to its own security.

**Small:** So, in terms of TIAR, joint sanctions by Latin American nations against England are now justified under the TIAR treaty. I would like to know what is being discussed in this regard here in the OAS. Second, I would like to know your opinion about the proposal of Lyndon LaRouche, the well-known U.S. Democratic Party politician, who has proposed that Latin America use its foreign debt as a weapon to force the British to reconsider their activities in the South Atlantic.

**Illueca:** The draft resolution which is being studied at this very hour by the working group (of the OAS), includes of course a condemnation of the British aggression against Argentina and of the colonial policy of Britain. It also contains a decision in terms of demanding that the United States cease the materiel and weapons aid that it is providing Britain. The European Economic Community is called upon likewise to cease the sanctions that it has imposed. There is a paragraph in which the member states of TIAR are authorized to take the measures which they deem necessary regarding sanctions against those countries which are attacking Argentina. What kind of sanctions are not specified. I think that later on there will have to be a meeting among the countries which are ready to proceed in this manner, to determine how to act.

As for Mr. LaRouche's proposal, I believe that it is a very important proposal for any official of a Latin American government. It is a very touchy question to suggest that one is not going to fulfill obligations that one has contracted. However, in the very special case of Great Britain, the fact is that Great Britain has frozen funds not just of the Argentine government, but also of private companies and individuals. I have no doubt that it would be perfectly legitimate for Argentina not to pay the debts that it has contracted with Britain or British banks, because it would simply be responding to an aggressive action which Britain has taken against Argentina.

As for the other Latin American countries which have debts of great magnitude, which are particularly Brazil, Mexico, and Venezuela, we must be very respectful of their sovereignty and we could not anticipate their actions. Of course, it is a tremendous weapon. I believe LaRouche has put his finger on the wound, because our experience tells us that the economic factor is much more painful for certain countries than, even, the killing of some of their citizens. But I can tell you that any measure of this kind would have to be the result of multilateral action.

The Latin American Economic System (SELA) will be meeting this upcoming week, on Tuesday or Wednesday, to consider what economic measures are going to be taken to assist Argentina, and also to take action to respond to the economic sanctions which have been levied against Argentina. I believe that many ideas are probably going to come out of that forum.

# LaRouche in Mexico: 'I am the chief U.S. public figure defending Latin America'

by Timothy Rush

On May 27 Lyndon LaRouche, the U.S. economist and leader of the anti-Malthusian wing of the Democratic Party, emerged from a 40-minute meeting with Mexican President José López Portillo to answer questions from 60 journalists at the Mexican presidential residence, Los Pinos. The first question: "What do you think of the British colonialist aggression against Argentina?"

LaRouche had identified himself as the principal U.S. public figure defending Latin America in the Malvinas crisis throughout his weeklong visit to Mexico. His answers to this and following questions appeared the next day in nine Mexico City papers and regional papers.

The gist of his proposals presented in a speech to the Fourth Congress of the Mexican Labor Party May 21-23 and in press conferences May 26 and 27: that Latin America take the current crisis as an opportunity to turn a "debt weapon" back on Britain and force a restructuring of the world economic system. Count on the aid of my faction of republicans in the United States—of both the Democratic and Republican parties—he said, in trying to shake the United States loose of such British agents as Haig and Kissinger, and joining with you in the task of world economic recovery. It was vital to help defend the Mexican economy and its currency in this regard, he stated; "Were Mexico to collapse, the next country to be destroyed would be mine."

In his May 26 press conference, LaRouche reviewed the historical basis of collaboration between republican currents in the two countries, highlighting the importance of Mexico's "Lincoln," Benito Juárez. No U.S. political figure since the period of the Monroe Doctrine in the 1820s had so directly invoked the spirit of a "community of principle" of the entirety of the continent, of a joint fight for sovereign national development versus the oligarchical colonialist regimes epitomized by Great Britain, then and now.

At the precise moment LaRouche was speaking in Mexico, U.S. Secretary of State Alexander Haig was addressing the Organization of American States. Haig told the Latin American foreign ministers and officials that it should be no concern of theirs if the United States

rips up its treaty obligations with Latin America and backs an extension of NATO into colonialist policing operations in the Third World.

LaRouche and his wife, Helga Zepp-LaRouche, the secretary-general of the European Labor Party in West Germany, were first invited to Mexico in March 1979, by the ruling PRI party as guests of the PRI's 50th anniversary celebrations. LaRouche returned in March 1981, as special invited speaker at the annual economic symposium of the Monterrey Institute of Technology.

*The following are excerpts of coverage of LaRouche's May 28 press conference at the presidential palace in the Mexico City press translated by EIR:*

**El Universal:** "*LaRouche: U.S. Betrayed Monroe Doctrine in the Malvinas Case,*" May 28, 1982.

The Monroe Doctrine is the law of the United States and in the case of the Malvinas the position taken by that nation has contradicted the guidelines of its own law, said Lyndon H. LaRouche, a presidential candidate in 1980. He stated that in this case the most positive figure has been President Reagan and the most evil ones Haig and Kissinger.

After a meeting with President López Portillo in Los Pinos, LaRouche, who is part of one of the Democratic Party factions . . . castigated the main media and publications of the United States because they have been "a shameful channel of British propaganda" and state that there is a growing resentment and fear among the American people toward this war.

LaRouche recalled that on May 10 in [a meeting of] the Royal Institute of International Affairs, Henry Kissinger stated that the United States' foreign policy during the postwar period has been manipulated by the British on the basis of non-written agreement between the State Department and London.

**El Sol de Mexico:** "*Haig and Kissinger Evil Figures, Says Democratic Leader,*" May 28, 1982. *El Sol is Mexico's*

*largest chain of newspapers, with 50 regional editions.*

U.S. support for Britain in the Malvinas conflict runs contrary to the Monroe Doctrine which is U.S. law; however, the posture which has been assumed is not Reagan's own, he being a person "basically decent and good." And in the Mexican environment, even when explaining "I should not interfere with Mexican affairs," LaRouche indicated that there was no need for comment on López Portillo's monetary and inflation policies because it was obvious that they were good. It is in Washington's interest that Mexico be a sovereign nation, inclusive of their monetary and credit policies. "Were Mexico to collapse, the next country to be destroyed would be mine."

Defense of Mexico's currency or any other country's that finds itself in this situation is a very detailed job, as detailed as planning a war, said the Democratic leader, indicating that he has spoken with various leaders of Latin American countries; and he has stated that "this is a problem which cannot be resolved by each nation alone but requires that there be a unity among all, providing external support from those countries who are friends." LaRouche, who formed the National Democratic Policy Committee, stated his friendship for López Portillo, "I am an ally of the Mexican President in his positions and his ideology. We find ourselves on the same side, that is to say, the side of defending peace and stability. In these times, it becomes increasingly important that we bring together the peace sentiment in Mexico and the U.S." LaRouche said that if the Latin American countries sometimes feel disturbed and disillusioned because they continue to be approached as colonies by the large corporations, "You may extend this sentiment of sympathy and sadness to the United States which has . . . been a British colony."

Were the voice of Mexico and her Latin American neighbors able to be heard with more strength and clarity in the U.S., this would accelerate the process of ending all harmful action, said LaRouche, and stated that he surely would be a nominee in 1984—within the Democratic Party—for the U.S. presidency.

**Excelsior, May 28, 1982.** *Excelsior is viewed as Mexico's newspaper of record, and is widely read in other Latin American capitals.*

"The U.S. government violates its own laws by supporting Great Britain in its confrontation with Argentina, but this decision is creating growing resentment and fear in the American people and among the political leaders of the United States over the consequences that support could have for world peace, [said] Lyndon LaRouche, leader of the National Democratic Policy Committee of the United States. . . .

He affirmed that he and President López Portillo were on the same side—the side which defends peace and stability. He stressed that this is important in a moment of crisis. This alliance should also embrace India, the countries of Europe, and the non-aligned, since only a bloc of forces of that size could succeed, he commented.

LaRouche stated the need for creating a Latin American Common Market which would give the countries belonging to it the possibility of defending themselves in the conflicts stemming from the international economic crisis. . . .

**Avance: "Haig and Henry Kissinger Have Violated the Monroe Doctrine," May 28, 1982.**

As an economist and as a friend of the Mexican President who shares his positions and his ideologies since both are for peace and stability, LaRouche offered his skills to defend the Mexican peso which has been undervalued far below its real value. . . .

"The economic problem is really a highly technical one and a political conflict. Defending the value of the currency of Mexico or any other country is a task as precise as the planning of a war. This problem is suffered not only by Mexico, but by all the members of the Organization of American States." He concluded by saying that "undervaluing your currency is of no use." He added that the interest of the United States is for Mexico "to have absolute sovereignty even in its monetary and credit affairs. That is the Monroe Doctrine and that is the faith of my country and therefore I will fight like a tiger to defend the peso."

**Ultimas Noticias de Excelsior: The following editorial, "The U.S. and Its Interests," was published on May 27, 1982.**

The direct intervention of the United States in the Malvinas in favor of Great Britain cannot be hidden. Today, officials of the Reagan government announced that Washington is sending missiles and other arms to the troops which are trying to reconquer the strategic archipelago.

It is probable that the the United States is preparing to reverse itself if things keep on going the way they are going, Lyndon H. LaRouche, leader of one of the factions of the Democratic Party and probable presidential candidate in the next elections declared today in Mexico that not Reagan, but the evil Alexander Haig and Henry Kissinger, are to blame for what is happening.

Although his defense of Reagan made Reagan seem like a puppet manipulated by Haig and Kissinger, it could be the first step permitting the President to reverse course "honorably," should he consider it necessary.

## Assassination threats line the summit route

by Robert Greenberg

Although the White House had received hard documentation of a high-level assassination plan against President Reagan during his 10-day trip to Europe, the President left for the Versailles summit early on June 2. Security officials are describing the trip as "walking into an almost certain death trap." According to several sources, the decision to make the trip, which will take Reagan to France, to Bonn, West Germany for a June 6 NATO summit, West Berlin, Great Britain, and Italy, was made at the strong urging of Secretary of State Alexander Haig, and White House Chief of Staff James Baker III, with the help of West German press magnate Axel Springer, on the basis that a cancellation of the trip would be a "propaganda victory" for terrorism. "That kind of advice might just get the President killed," one source commented.

Lyndon H. LaRouche, Jr., Advisory Board Chairman of the National Democratic Policy Committee, issued a statement June 3 on "The Haig Link to the Reagan Assassination":

"Wednesday, June 2, teams of my investigators working undercover on assignment to assist President Ronald Reagan's security, produced corroborating evidence of Secretary of State Alexander Haig's witting participation in those secret-cult networks now posing the principal assassination-threat potential against the President's life.

"Directly associated with Haig in this secret cult is John Bircher Rep. Larry McDonald (D-Ga.), head of the cult's military-subversion front-organization, Western Goals, Inc. of Virginia and West Germany. This is part

of the same network of assassins behind two attempted assassinations of Pope John Paul II, a network which has been directly traced to the Colorado-based psychiatric institutions with which accused assassin Hinckley was associated immediately prior to his attempted killing of President Ronald Reagan.

"It is our informed belief that our best hope of keeping President Reagan alive during his present travels to Europe is to give the widest publicity to the fact of Haig's and McDonald's connections to the greatest assassination threat-potential now being deployed, [which] comes from a feudalist cult-organization generically known as the Hospitallers, with operations coordinated chiefly out of the Geneva banking-family which has headed the Swiss Nazi organizations since no later than the 1930s, and which has headed the 'universal SS' (aka 'Allgemeine SS') since the fall of Adolf Hitler's regime.

"Although these Hospitaller networks originally created Hitler's Bavarian Nazi party, they distanced themselves publicly from their Nazi creation in successive phases, especially after 1938, and dumped the Hitler project completely about 1943, with aid of secret agreements with Prime Minister Winston Churchill and OSS representative Allen Dulles. Their intent was 'to survive to try again.'

"The most visible threat to the life of President Reagan comes from throwaway, Russian branches of the Hospitaller Order created by former King Peter II of Yugoslavia, including important connections of these branches in Houston, Texas and Acapulco, Mexico. However, these 'throwaway spin-offs' of the Russian





*TFP paramilitary members in Brazil: the networks that would launch a hit.*

order are in fact merely cut-outs for the Hapsburg-Venice-Geneva-London sections of the Hospitaller cult-organizations, including the so-called Danish branch of which Haig and Larry McDonald are inducted members. . . .

“The greatest single problem of the President’s security is the fact that during the 1943-46 period Winston Churchill and Allen Dulles entered into secret agreements with SS General Wolff and others, under which a major portion of the Nazi networks was assimilated into the protected intelligence-capabilities of Britain and the United States, partly at the direction of Dulles’s employers and former Hitler-backers of the Morgan interests of New York City and London, such as Schroeder Bank. . . .

“Inside the United States, this penetration of our military and intelligence command by neo-Nazis has been greatly assisted by the Anglican Cathedral of St. John the Divine in New York City. Bishop Paul Moore, an heir of the Morgan-allied Moore family (the creators and controllers of the Anti-Defamation League), is the chief coordinator of the Hospitaller cults for British secret-intelligence networks inside the United States, and closely allied with European forces’ coordinated neo-Nazi networks internationally.

“By such means, honest U.S. flag-officers such as Admiral Moorer and Jack Singlaub, or publishers such as the late William Loeb of New Hampshire’s *Manchester Union Leader* were coopted to lend their names to the Hospitaller cults and those cults’ front-organizations, such as Western Goals, Inc. . . . Through such fronts, British intelligence operative John Rees (Larry Mc-

Donald’s controller) deployed agents such as Herbert Romerstein into congressional staffs in sensitive positions. . . .”

The danger of a Reagan assassination is so intense that West German Chancellor Helmut Schmidt alluded to it in an interview with the West German daily *Bild Zeitung* June 2. In answer to a question whether the recent wave of terrorist bombings in Germany could be the start of widespread violence during Reagan’s visit, Schmidt stated, “I hope it is not. . . . I don’t see any cause for special unrest during the Reagan visit, but naturally outstanding people are endangered all over the world, including the United States itself.”

### **Same networks targeted the Pope**

The assassination plot involves the same networks utilized by the European oligarchs known as the “black nobility” in the unsuccessful attempt to murder Pope John Paul II May 13 at the shrine of Our Lady of Fatima in Portugal. Both U.S. and European sources say that although either left- or right-wing covers might be used for assassins of President Reagan, the likelihood is that they will be drawn from the same fascist networks as would-be assassin Father Juan Fernández Krohn. The sources specifically pointed to Latin American-based “right-wing” groups as the likeliest sources of assassins.

This lays the responsibility for these plans at the doorstep of such European oligarchic families as the Thurn und Taxis family of Regensburg, Bavaria and the Braganzas, the royal house of Portugal; both families control a network of cults and paramilitary right-wing groups throughout the world, with a particular recruitment capability in Latin America. Among these are the Blue Army, connected with the cult of Fatima, and the Tradition, Family and Property (TFP) group based in Argentina, both of which are implicated in the attempts on the Pope.

These right-wing groups have been identified as representing a specific threat to the President. But intelligence sources emphasize that it is almost useless to make a distinction between right- and left-wing in this situation. There is also a possibility that the fascist networks may use left-wing terrorist groups for a kamikaze attack against the President and Chancellor Schmidt. The immediate danger was highlighted by West German anti-terrorist prosecutor Kurt Rebmann, who emphasized that kamikaze units have already been put into place, and are set to be unleashed as soon as Reagan arrives in West Germany.

### **Terror wave**

The danger to President Reagan was evidenced by developments in Europe just prior to his departure.

- Six bombs were detonated simultaneously in West

Germany by the Revolutionary Cells; four were placed in U.S. Army officers' clubs. Callers claiming credit for these bombs said, "We don't wait until Reagan is in Germany."

- Death threats have appeared on walls in West Berlin, considered the site where the most serious violence will occur. Their message: "Let God receive Reagan as soon as possible."

- In France May 28 police arrested 25 members of the terrorist Action Directe for distribution of a leaflet circulated in French, Arabic, and Turkish calling for armed demonstrations against President Reagan when he arrives in France. The French authorities released 15 of those arrested, after which the Action Directe machine-gunned the Paris offices of the Bank of America.

- French officials report that they have uncovered a live assassination operation against Reagan originating in right-wing paramilitary networks that have also been implicated in the attempted assassination of the Pope.

- In Italy, police found a note at the site of the bombing of the Rome office of the *Daily American* which stated: "This is intended for the butcher Reagan." Two bombs exploded in the Pan American building in Rome.

- In Great Britain, police arrested May 29 an armed man attempting to gain access to the Pope during his visit.

Cover for the assassins, security experts believe, will be given by violent demonstrations now being planned by the radical peace movement, whose organizing has been backed by the friends of Alexander Haig in West Germany. The Green Party is planning mass demonstrations to greet Reagan in Bonn and West Berlin. Green leaders such as Petra Kelly, a former aide to Edward Kennedy, and Roland Vogt, a cohort of Muammar Qaddafi, say the demonstrations will be violent. Kelly told the press that the protesters will try to break through the cordoned area set up for Reagan's security.

West German anarchist newspapers such as *Taget Zeitung* have advertised plans for terrorists to sabotage communications between various security agencies during the Reagan visit. And terrorist groups are known to have recently stolen large supplies of high-technology weapons from NATO armories. All these reports have led security and intelligence experts to assess an extreme danger to Reagan during his visit.

The danger is further heightened by the fact that security arrangements will be largely under the supervision of agencies already contaminated by support for terrorism, such as the French Interior Ministry under Gaston Defferre, who is closely connected to the French drug traffic, West German Interior Minister Gerhard Baum, a supporter of the Green Party, and Britain's Scotland Yard, an arm of British intelligence.

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## THE MIDDLE EAST

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# Peking allies with the Muslim Brotherhood

by Judith Wyer

The emerging close relations between Ayatollah Khomeini's Iranian dictatorship and the brutal regime of Pakistan's Ziaul Haq is meant to be the cornerstone of an alliance constructed by Great Britain linking Peking China and the Muslim Brotherhood secret societies of the Middle East. A review of recent contacts between China and the Middle East reveals that the glue binding Peking to the financially powerful interests of the Muslim fundamentalist is the apparatus of the old Asia-directed finance houses of London and Geneva, particularly the drug-smuggling Hongkong and Shanghai Bank and its Persian Gulf subsidiary, the British Bank for the Middle East (BBME).

The recent successes of Khomeini's "Mongol Horde" armies against Iraq has terrified the wealthy sheikhs of the Arab Gulf states. Flaunting the spectre of Iraq's collapse, London's traditional allies in the sheikhdoms of the Persian Gulf are seeking to establish a financial and military partnership with Iran and Pakistan, and they are reportedly considering a complete capitulation to Teheran's mullahs by offering billions of dollars in reparations—a euphemism for "protection money"—to Iran. With that fund, still being negotiated by way of London and Switzerland, Saudi Arabia and the Gulf states intend to finance the establishment of a British-run Islamic banking network stretching across the Middle East into Asia.

The first payoff for these rumored preparations came at the end of May when Pakistan's navy, led by two destroyers and four submarines, toured the Gulf. Now, London is trying to bring in China, Pakistan's ally, in support of their attempt to reorganize the Persian Gulf. Should Iraq collapse, the way will be clear for London to establish its sought-for bloc stretching from Peking to Pakistan, Iran, and the Arab Gulf states.

In this effort, Israel is playing a role as well. While Israeli Defense Minister Ariel Sharon supplies a steady flow of arms to Khomeini's army, key Israeli-linked financiers—such as Shaul Eisenberg and Occidental Petroleum's Armand Hammer—are shuttling back and forth from Peking. According to U.S intelligence sources, an eventual merger of the Camp David pact between Israel and Egypt and the so-called China card was a crucial element of the secret agreements developed

by the Carter administration at Camp David in 1978.

During Mrs. Gandhi's three-day visit to Saudi Arabia in mid-April, Pakistani Foreign Minister Yacoub Khan was in Peking, according to Arab sources plotting a Chinese-Pakistan counter to the potential Saudi-India link. Through Pakistan's Ziaul Haq and other conduits in the Persian Gulf, China has expanded its ties to the fanatical Muslim Brotherhood and the elite moneyed families that fund it both in Pakistan and the Arab world. These families have a long history of involvement in the international drug trade which originates in the so-called Golden Triangle and Hong Kong, and historically owe their power and wealth to their allegiance to the British empire.

In April, the Chinese-Islamic Association held talks with Muslim delegations in Jordan, the only Arab states where the Brotherhood is legal, and in Oman, a preserve of British colonialism whose security forces, patrolling the strategic mouth of the Persian Gulf, are under the control of the British crack Special Air Services units. Since the beginning of April, Peking has either hosted Arab delegations from or deployed at least one delegation to every Arab and North African country except those Gulf states with which Peking has no formal relations.

Even though Saudi Arabia has no diplomatic ties with Peking, the Islamic Conference, a powerful 41-nation organization based in the Saudi city of Jeddah on the western Red Sea, has recently established formal links with the Chinese-Islamic Association. The London-based *Arabia and the Islamic World Review*, a glossy outlet for the Muslim Brotherhood, featured the Chinese Muslims as its cover story in its first issue in September 1981, a theme which continues to be a favorite with *Arabia*. Run by a group of Saudis based in Jeddah, the center of British influence in Saudi Arabia, the monthly in its May issue for the first time advocated that the Muslim Brotherhood adopt the "third way" neutralist stance of Peking.

*Arabia* has propagandized for the establishment of Saudi-P.R.C. relations. In its March issue it ran a story entitled "New Era in Saudi-Sino relations?" arguing that though formal ties between the two states are not foreseeable for some time, there are small indications that Riyadh is looking for "better business" links with Red China. Saudi Arabia maintains close relations to Taiwan, and has no relations with any communist state.

### **The financial angle**

Behind the Chinese-Muslim Brotherhood ties is a complex of financial transactions multiplying between Hong Kong, Singapore, and Peking on the one side and the Middle East banks and moneyed elites which finance the Muslim Brotherhood on the other.

In early April, China's Vice-Premier Chen Muhua,

a member of Peking's Politburo, met in a "private" capacity with three Kuwaiti princesses, including the influential Princess Lulua, a senior executive of the Kuwaiti commodity-trading firm United Trading Company. Involved in everything from diamonds to raw materials, the UTC is integrated into a French-based banking mafia up to its ears in drug-running through its association with Syrian intelligence chief Rifaat Assad. Chen Muhua, just appointed to promote Chinese Foreign Trade, may have had closed-door talks about the growing drug flow across Asia into the Mideast. The Vice-Premier might also have discussed China's brutally enforced population-control policies with the Kuwaitis. Chen had just moved from her post as head of the Chinese Family Planning Organization. Shortly before the Kuwaitis arrived in China, Kuwait became the first nation in the Persian Gulf to make abortion legal as a first step towards fostering population control in the Arab world.

Kuwait is the center of influence within the Arab world of not only the British Commonwealth but also of one of its leading mouthpieces, the Brandt Commission on North-South Relations, which promotes the Chinese-model of population reduction. Last month the Kuwait-based Arab Fund for Social and Economic Development agreed to syndicate a \$300 million loan to Peking. The head of the Fund, Abdul Alatif al-Hamad, is a member of the commission, headed by the Socialist International's Willy Brandt.

In recent months a clique of Arab and Pakistani financiers, previously identified by *EIR* as involved in the Billygate and Lancegate scandals, have been rapidly buying into Hong Kong real estate and banking concerns. In the forefront of these moves is Pakistani banker Agha Hassan Abedi, whose Bank of Credit and Commerce International earlier this year bought into the Hong Kong Metropolitan Bank. According to the *Middle East Economic Digest* of November 1981, Abedi's bid to buy into the Hong Kong bank was motivated by his decision to begin doing business with the P.R.C. Abedi has been exposed as a leading financier of Zia's drug ring, and is also a financial backer of the London-based *South* magazine, a front for the Brandt Commission.

A close business partner of Abedi, Saudi financier Ghaith Pharaon, has also begun to make major investments in Hong Kong, principally Hong Kong real estate, through his newly established property company, Trafalgar Housing. Unnamed Gulf financiers are also reported to be vying for holdings in the Hong Kong-based Overseas Trust and the Hong Kong-based Express Finance & Investment Ltd., with the goal of branches of those banks in Oman and the offshore banking center for the Persian Gulf, Bahrain.

A number of very old Persian Gulf merchant

families based in Dubai, such as the Kanoos, are now the prime funders for the growing network of "Islamic banks" throughout the Muslim world, a network under the titular leadership of the eccentric Saudi Prince Muhammed al Faisal. These families made their fortune smuggling gold, jewels, and narcotics from the orient for Britain's East India Company. The Islamic banks are being promoted by British intelligence and its conduits to the Muslim Brotherhood, such as the London-based Islamic Foundation or the Geneva-based Islam and the West, as the foundation of an Islamic bloc. Such a bloc is endorsed by the Brandt Commission and its co-thinker, the Club of Rome, as a means of enforcing appropriate technologies and other Malthusian policies upon the underdeveloped sector, to halt all high-technology development.

According to a spokesman for the North-South Roundtable, an arm of the Brandt Commission, a regional Muslim bloc covering the Arab world will look to an Asia bloc as its prime trading partner.

### The Pacific Basin

Since 1971, when the British officially withdrew from the Gulf as a colonial power, Peking has advocated the creation of a Persian Gulf security alliance as the seed-crystal of a broader regional bloc. Kuwait has been the chief vehicle through which China has relayed its policies. Peking's support for the creation of such a Gulf Pact, which two years ago was realized, converges with the U.S. State Department's policy of linking the Mideast into a Pacific Basin scheme.

White House Special Envoy to the Mideast Philip Habib, a protégé of Britain's self-professed agent Henry Kissinger, was named in mid-May to the board of the Hawaiian-based Pacific Resources, a firm partly owned by Kuwait National Petroleum Company (KNP), with sub-

stantial holdings in Hong Kong. KNP is integral to the Kissinger-backed Pacific Basin scheme, in which China could be integrated into a bloc spanning the Pacific nations and resource-rich Southeast Asia. Habib reportedly made his first private business trip to China at the beginning of May.

### The Commonwealth

The brains behind the Pacific Basin scheme is Canada's Maurice Strong, one of the leading agents of the British Commonwealth and a close business partner of the Kuwait National Petroleum Company by means of his Swiss-based concern, International Energy Development Corporation and his Arizona land company, AZL Resources. The notorious Saudi financier and Muslim Brotherhood backer, Adnan Kashoggi, described widely as a gun runner, owns a large piece of AZL.

Despite the publicity about the Pacific Basin plan, it is not a development program, but a blueprint for massive looting of Southeast Asia. Integrated Arab-Hong Kong-Singapore banking is slated to provide financial support.

During a visit to Peking on April 20 by Algerian President Chadli Benjadid, Peking proselytized for China's bone-crushing ruralism as the model for Algeria and the rest of the developing sector. Days earlier, Brandt Commissioner Edward Heath, a former Tory Prime Minister, visited Peking, as have other British government and non-government representatives, including Royal Society spokesmen.

China is also intensifying its diplomacy with certain Balkan countries which favor the same neo-feudal policies for the developing sector as London. In mid-April Peking enthusiastically received Romania's head of State, Nicolai Ceausescu. Romania and Yugoslavia are also cementing political and financial relations with Kuwait and its anglophilic Arab allies.

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# Papandreou ups the ante on Cyprus issue

by Nancy Coker

Greek Prime Minister Andreas Papandreou and his Socialist International allies in Europe are deliberately provoking a new crisis over the island of Cyprus. Papandreou's efforts in this direction, combined with the threat of overt hostilities between Greece and Turkey, have weakened the resistance of Turkey's military leaders to Anglo-American pressure to transform Turkey into a forward base for NATO activities in the Middle East.

Turkey is a "first choice" of NATO strategies as a jumping-off point for military operations in the Persian Gulf. Historically, Turkish leaders have been reluctant to cooperate with moves to expand NATO or to work with the U.S. Rapid Deployment Force (RDF) in the Middle East.

Following the decision in mid-May by NATO's defense ministers to authorize the deployment of NATO strike forces worldwide, pressure on Turkey to become NATO's launching pad for operations into the Persian Gulf has, of course, increased.

On May 13, immediately after the NATO defense ministers' meeting, Secretary of State Alexander Haig, an architect of extra-European NATO deployment, arrived in Ankara. Courting the Turks, Haig reportedly expressed support for Turkey's continued presence in Cyprus and may even have given Ankara a green light to carry out some sort of military operation on Cyprus, along with a promise of U.S. support. Two days later, Haig flew to Athens, this time giving the Greeks a green light to put the screws on Ankara through aggravated tensions over Cyprus and numerous other issues. Soon after his tour of the region, the Soviet Union through its Cypriot Communist Party extension, AKEL, made public a two-month-old warning to Turkey to desist from any military adventures on Cyprus.

Sources report that in terms of intelligence and communications, Turkey is open to cooperating with Haig. At the end of May, it was announced that AWACS early-warning surveillance planes would be stationed in Turkey under NATO auspices in 1983—one year earlier than had been planned—because of the situation in the Gulf. The planes will be positioned in Van and Diyarbakir in eastern Turkey for use in the Gulf, and in Konya in the central part of the country for use in the event of an

Aegean crisis.

## Papandreou's crusade

Relations between Greece and Turkey have deteriorated since the election last year of Andreas Papandreou as Prime Minister of Greece. Papandreou, who through his father maintains extensive ties to British intelligence, was brought to power on an anti-Turkish platform. Since assuming office, he has suspended all dialogue with Turkey on such disputed issues as the Aegean continental shelf, Aegean airspace, and the Aegean islands.

Papandreou's prime weapon, however, is Cyprus. Since visiting the island in early spring, Papandreou has been stirring up conflict and has thereby caused a serious falling-out with Cyprus President Spyros Kyprianou. Working with his fellow socialist and fellow drunkard, Willy Brandt of West Germany, Papandreou has launched what he calls an "international crusade" to "internationalize" the Cyprus issue.

Papandreou's efforts to transfer the Cyprus problem to the ministrations of the Socialist International are designed to undo the delicate intercommunal negotiations between Kyprianou and the Turkish Cypriots. By barging in and demanding that this process be halted and Willy Brandt be named mediator of an "international peace effort," Papandreou has estranged Greece both from Turkey, which rejects internationalization of the matter, and from Kyprianou, who has rejected Brandt as a mediator.

Taking Papandreou's side in the Greece-Cyprus rift are Cypriot socialist leader Vassos Lyssarides, the pro-British Democratic Rally Party leader Glafkos Clerides, and Archbishop Chrisostomos, head of the Cypriot Orthodox Church. The Greek paper *Eleftheros Kosmos* has threatened Kyprianou with "defeat and overthrow" at the hands of the Orthodox Church on Cyprus if he doesn't tow the line.

Kyprianou's abandonment by Papandreou and his island collaborators has forced the Cypriot president to form a coalition government with powerful Moscow-backed AKEL communist party. Kyprianou's spurning of the Socialist International initiative has in turn angered Papandreou.

If Kyprianou is overthrown or seems about to be, a Turkish military move into Cyprus as in 1974, and possibly against Greece, could result. A coup in Greece itself could follow, by military factions seeking the return of King Constantine to the throne.

Turkey has thus far remained silent on the Cyprus question. But Ankara dispatched Prime Minister Bulent Ulusu to Turkish Cyprus at end of May, the first such visit made by a Turkish prime minister. The visit was designed as a "provocation" to match Papandreou's "provocations."

# An electoral defeat for the anglophiles

by Valerie Rush

In an event comparable to the U.S. electorate's mass turnout in 1980 to dump Trilateral puppet Jimmy Carter, Colombian voters turned out in unprecedented numbers on May 30 to reject the drugs, terrorism, and austerity policies of Liberal Party presidential contender and former president Alfonso López Michelsen. The depth of their repudiation of López's policies was indicated by the fact that, for the first time since 1946, a candidate of the minority Conservative Party was elected President in open elections, by a clear, wide margin of victory.

Colombia's new president, who takes office August 7, is Belisario Betancur Cuartas, a lawyer of working-class origins from the industrial department of Antioquia. Betancur's electoral campaign against the oligarch López and a dissident challenger from Liberal Party ranks, 39-year-old Luis Carlos Galán, was premised on an uneasy combination of solidarist "third-way" populism and hard-hitting attacks on the political and economic corruption that has brought Colombia's constitutional system to the brink of disaster.

Among the primary tasks facing him will be eliminating rampant terrorism and drug trafficking, and sponsoring an emergency industrialization program to salvage the bankrupt Colombian economy. One plus in his favor is that he has the country's three main institutions—labor, the military, and the church—backing him in what is guaranteed to be a bitter fight against the still powerful "lopista" machine in the Congress.

## Policy toward British is key

A key litmus test for the Betancur administration will be on foreign policy. Betancur was the only one of the three major candidates to support Argentina's fight against Britain, and publicly charged the current Turbay government with "isolationism" for siding with the United States and against the rest of Latin America at the OAS. His campaign manager, Ramírez Ocampo, went even further, publicly denouncing the United States for having turned its back on Latin America and insisting that the Monroe Doctrine is still "the law of the land."

The Andean Labor Party in Colombia, a supporter of U.S. Democratic Party figure Lyndon LaRouche,

has greeted the Betancur victory with a mass leaflet explaining Sunday's elections as a vote against the Friedmanite austerity and drug policies of López and as a vote for Argentina. The leaflet calls on Betancur to fulfill his presidential mandate, starting with an immediate demand for a Colombian policy reversal on the Malvinas conflict.

Betancur devoted the bulk of his electoral polemics to vague promises of education, food, and housing for all, but garnered the bulk of his 3 million winning votes through his denunciations of López's disastrous 1974-78 administration. López opened the country up to the ravages of Friedmanite economics and the drug trade, which have nearly reduced Colombia to the status of a 19th-century British colony mortgaging its vast mineral wealth to pay its debts.

In his second of four nationally televised speeches, Betancur charged that "industry has been badly treated by the last governments. . . . I propose that all the mechanisms of economic management be channeled to serve national production. . . . We want a healthy and efficient industrial sector which can generate productive employment. . . ."

On the question of interest rates he warned, "On this I want to be categorical: either the government reduces the high interest rates, without ingenuously waiting for a market whose freedom is non-existent to do it a favor, or the high interest rates will ruin the general economy, production and consumption. . . . A policy of high interest rates is expropriatory and immoral."

## Steering a new course

In addition to defining a concrete economic program which can reverse Colombia's serious economic decline, Betancur faces the challenge of steering a political course independent of the Conservative Party chieftains who backed his bid for power. The Conservative Party has ruled only three times in the past 50 years in Colombia—the first time through a coup d'état which plunged the country into one of the bloodiest civil wars in Latin American history, and the last two times in a "National Front" agreement with the Liberals which alternated the two parties in and out of power.

Its long history of affinity with fascist international movements, hostility toward social reform, and embrace of Thatcher-styled austerity regimens has not endeared the Conservative Party to the vast majority of Colombians. Betancur—representing a new "progressive" wing within the party—was fielded as a compromise candidate by the old-line Conservative faction leaders and bitter rivals Alvaro Gómez and Misael Pastrana. Both Gómez and Pastrana now claim ownership of the coveted presidential chair, but their intense rivalry may give Betancur a measure of flexibility with which to forge new and more positive political alliances.

# How NATO created environmentalism and the peace movement

by Laurent Murawiec, European Economics Editor

Most citizens believe that NATO, the North Atlantic Treaty Organization, is a military pact; that it commits more than a dozen Western nations to mutual defense in case of Soviet aggression; and that its prime functions are to deter such an attack, and failing that, to repel it.

Most citizens have been misled into believing this. In reality, neither is NATO chiefly a military organization, nor are its main functions military ones. NATO is certainly not the horrific militaristic tool of the military-industrial complex pictured in Moscow's propaganda and peacenik bogeymen galleries.

Looking at the evidence of NATO's true activities, one wishes that it were that. As demonstrated by the shocking evidence presented here (culled entirely from NATO's own published documentation), NATO's gigantic civilian bureaucracy has devoted most of its vast resources to creating the green environmentalist movement and the peace movement!

We will let prominent NATO speakers incriminate themselves and demonstrate, by their own uncensored words, that NATO—the supranational bureaucracy—is primarily concerned with the subversion of the sovereignty of its member states (and, since the NATO council of May 7, authorized deployments out of the North Atlantic area of the NATO charter, the subversion of other sovereign nation-states, as concretely demonstrated by the British gunboats' colonial expedition).

NATO's operational program today is the reduction of the world's population, the de-industrialization and de-urbanization of its leading nations. Hard to fathom as this might sound, the reader will now enter with us into some of NATO's highest deliberative councils.

## NATO and the Club of Rome

“Perhaps we must work towards less energy-intensive patterns of activity having smaller environmental impacts. These patterns would have to be more oriented to individual participation and fulfillment, and be attuned to the problems of the wider world community. This also raises the vital question of the type of society that will adequately reflect the aspirations of our peoples and towards which our energies should be directed.

It also makes clear that we are in a position to choose our future, not simply to experience it.”

Who is this “Green” environmentalist spokesman? This dangerous anti-industrial social reformer is none other than Dutch aristocrat Jonkheer Joseph Luns, the Secretary-General of NATO, and a high-level member of the Order of Saint John of Jerusalem, the secret society of the old European “black nobility.”

Mr. Luns, with these words, is introducing a major, confidential strategy session of the elite that controls NATO. The scene is Brussels in April 1978. The NATO Science Committee, one of the innumerable “non-military” adjuncts of NATO, commemorates its 20th anniversary with a conference on the theme “Technological Challenges for Social Changes—Science and Future Choice.”

To whom has Joseph Luns's NATO addressed the answer to a question of such extraordinary importance? To the world's leading anti-growth, anti-industrial, anti-population, and anti-urban group, the Club of Rome. The Club of Rome's leaders are more than massively represented among the conference speakers; they and their ideology dominated the proceedings.

Former U.S. Ambassador to NATO Harlan Cleveland, formerly of the Aspen Institute, explains: “The central problem is clear enough: it is not limits to growth, it is limits to government. Let's not fudge the facts: in the industrial democracies, being developed has come to mean a chronic crisis of governance.”

Fortunately, Mr. Cleveland explains, “the yeast is rising. In every industrial nation a large number of people, often beginning with young people, have started to do some rethinking of growth patterns. In the United States, for example, the size of families has declined to about the population replacement level. The historic trek from rural to urban habitat has . . . gone into reverse. The ecological ethic in its many manifestations has started to make its influence felt in the market-place and in politics. A revolution has begun in the roles and status of ethnic minorities and the female half of the population. Local communities insist on gaining more control over their own growth.”



This is a desirable evolution, the NATO speaker stresses: "We are moving from an ethic of indiscriminate growth as the central organizing principle—growth unfairly distributed, growth wasteful of our resources and damaging to our surroundings . . . growth symbolized by a GNP that includes weapons, traffic jams, and drug abuse, but leaves out housework, week-end work or environmental improvement. [We need] some kind of selective growth, purposeful growth, growth 'as if people mattered.' I baptized this emerging ethic with a made-up name 'Humangrowth' . . . or 'Newgrowth.'"

This "new growth ethic," Cleveland continues—and no one among the several hundred attendants, diplomats, civil servants, and government ministers, apparently thought of booing him out of the room, and locking him away at the funny farm—starts with "a new scepticism of science and technology . . . A new emphasis on ecological causes and effects . . . new styles in governance for societies with less power at the 'top' and more kinds of people involved in planning and doing.

"It is now taken for granted, I would argue, that institutions should be built to contain, channel, and control new technologies, while they are being developed . . ." Cleveland adds. "In sum: a tidal wave of changes of values is well under way, and the main obstacle to converting these new values into policies and institutions is not the limits to physical resources but the limits to government . . . power is leaking out of national governments in three directions: to local communities . . . to non-government enterprises . . . and to international agencies."

Such is "The Third Phase of NATO" as presented—*as proposed*—by the NATO leadership.

What should NATO, then, do about this situation? Club of Rome head and co-founder Aurelio Peccei, a featured speaker, has an answer.

Peccei's NATO presentation of 1978 later became his book *100 Pages for the Future*. His target? "The freedom, independence, and unreined power inherent in modern science and technology [which] have permitted them to acquire a strategic position in government, the universities, and industry, as well as the military establishment. From their lofty, privileged niche, they are exercising an influence on society which dwarfs that of all other factors affecting society; and at the same time they raise unwarranted expectations and literally irradiate wave after wave of change before the attendant social and environmental costs, intermediate effects, and feedbacks can be appraised."

The enemy is clearly fingered. Quoting Club of Rome co-founder, Briton Alexander King (a man committed to the reduction of the numbers of "the yellow, brown, and black races,"), former Director-General of the OECD for Science, Technology, Industry, and Education, Peccei charges: "So far there have been

three main objectives, namely defense, economic growth, and national prestige, *for example, placing men on the Moon*. The social and services sectors of the economy" have been neglected, he laments.

"Blind human proliferation is the basic factor. . . . The impact of larger populations and more intensive human activities will certainly make things substantially worse . . . [what is urgent is] a thorough revision of the time-worn, if still apparently untouchable, principle of sovereignty and the concept of the nation-state. . . . The planet's land mass is suffering visible degradation owing to the combination of sheer demographic pressure, anarchical urbanization, and rapacious or improvident agricultural practices. . . ."

Peccei calls upon the NATO leaders he addressed *primus inter pares* of the Malthusian elite, to establish the "most stringent safeguards to preserve and positively restore a healthy state of the human habitat and what remains of the pristine wilderness all over the globe—which is the heart of nature." This program "must be given a high priority."

Compulsion will clearly be required, in the mind of the NATO theorist, since "the stubbornness of mankind in not perceiving what its real and permanent interest is [is] a bad omen."

So, from the rostrum of the 1978 NATO strategy session, Peccei calls for the establishment of a peace movement and the regroupment of the "green" movement under one NATO-controlled banner.

"In the present state of disarray, intolerance, frustration and fear, modern society is becoming an armed camp. . . . The nuclear arsenals have in store the equivalent of more than one million Hiroshima bombs packing a monstrous 'overkill' capacity, . . ."

Happily, Peccei reports to NATO, "There are encouraging signs" in the fight against the military establishment of nation-states and industrialists and growth-oriented labor. "[The signs] come mainly from the grass-roots of society—from the people themselves . . . an indication of the keen public consciousness that changes must be made, even at the cost of sacrifices, is the formation of spontaneous groupings of citizens, springing up all over the place, like antibodies in a sick organism."

Note well: inasmuch as science and the nation-state are defined by NATO as the disease, the "antibodies" which NATO wishes to deploy are now to be named.

"*The peace movement*" is the first named by Peccei. But, as the reader will certainly remember, *there was no peace movement at the time of Peccei's NATO speech!* The full horror of the conspiracy hits the reader of the 400-page official NATO reprint of all the conference speeches, in reading Peccei's list of "antibodies . . . The peace movement, the conservation and ecological groups, women's lib, the population policy associations, the de-

fenders of minorities, of human rights, and civil liberties, the apostles of amnesty, the peaceful protesters, the dissidents, the social workers, the consumer advocates, the conscientious objectors, etc. A fountainhead of fresh, innovative ideas, usually with a simple dialectic having the ring of a *vox populi*, they together form an incipient second-layer network, intent on watching and stimulating the official networks of government and inter-governmental agencies.”

Not one general, apparently, rose in anger to expel the dangerous subversive from a NATO conference. The NATO Secretary-General approved. The NATO speaker that commented, in the fashion of the conference, upon Peccei’s contribution praised “the role of the spontaneous movements for the ecology, disarmament, or human rights.” Nobody had a word of dissent. The conclusion is overwhelming: at NATO, it is not generals, nor defense imperatives that matter—it is this infuriating mish-mash of sociology, psychology, futurology, and nonsensology originally manufactured at the British Tavistock Institute, the center of the British psychological warfare department.

The rest of the proceedings of the NATO conference was no less dramatically monopolized by the Club of Rome: Alexander King, Eduard Pestel (a leader of the NATO Science Committee), Mihajlo Mesarovic, and André Danzin were among the Club of Rome members that contributed to the conference program. Many representatives of Club of Rome-associated organizations were also featured.

Leaving the NATO policy-making session where the peace movement was founded, we can ask ourselves in amazement: how, for the love of God, was the NATO first commanded by General Eisenhower turned into this kook factory?

### **A history of the NATO fraud**

The elite supranational bureaucracy that controls NATO has relentlessly attempted, since the inception of the Atlantic alliance, to impose an expansion of its treaty-assigned area of deployment, its scope, and powers. Since the beginning, the European “black oligarchs” have tried to leverage the Atlantic pact and the network of NATO’s associate organizations into becoming the means of destroying the sovereignty of its member states.

It began on March 16, 1946 with the Fulton, Missouri speech of Lord Marlborough (also known as Sir Winston Churchill), with its shrill “Iron Curtain” rhetoric that buried Roosevelt’s wartime plans for postwar East-West cooperation for world economic development. The weakened imperial power, Britain, was still smart enough to lead “dumb giant” America by the nose. “American muscle and British brains,” as London said at the time.

As the two superpowers were being thrown into confrontation, a dense network of “Western” or “Atlantic” organizations of a supranational nature were created, and imposed upon national governments under the pretext of the danger of war. The emergency situation was used to justify this. Russian military and non-military threats were to be held in check.

The European Recovery Program (“Marshall Plan”) launched in June 1947, received an institutional form in April 1948 with the Organization for European Economic Cooperation (OEEC). An administrator of the agency that channeled Marshall Plan funds into Europe candidly explained what the policy was: “We rebuilt slowly under the Marshall Plan, because we did not want people to get the idea that prosperity was coming back,” said George Ball, Wall Street investment banker, and a junior executive working under President Truman’s special ambassador to the Marshall Plan’s European Cooperation Agency, East Coast blue-blood Averell Harriman, who soon became the head of the OEEC, and thus something of an economic dictator of war-torn Europe.

From Washington, the agency was ruled by banker William Draper, Undersecretary of the Army and the most fanatical advocate and practitioner of population reduction since Adolf Hitler.

While NATO, created by treaty in April 1949, incorporated the military components of pacts signed between European nations, the civilian components were amalgamated into the OEEC. Europe’s monetary and financial situation weakened by the shortage of convertible currencies, the OEEC established, in cooperation with the Basel-based Bank for International Settlements (BIS), the European Payments Union, which played the role of a clearinghouse for intra-European payments. Its small staff included Belgian-American economist Robert Triffin, and Italian whiz-kid Guido Carli. The EPU was designed by Harlan Cleveland.

The common policy of this alphabet soup of supranational organizations was expressed in a memorandum issued in October 1947 by the BIS: “The financial and monetary rehabilitation of European economies should be one of the main objectives” of policy, but “while the physical aspects of European reconstruction are undoubtedly important, they are *not* the only factor of which account has to be taken.” For the millions who starved in Europe at that time, it will be of interest to learn that the same Malthusian group that advocated a slowdown of U.S. economic and financial aid in the late 1940s for reasons of “monetary and financial orthodoxy,” is the same that tries today to usher in the “third phase of NATO.”

It must be emphasized that NATO itself, at that time, had no civilian bureaucracy whatsoever. It is only

in December 1950 that a Supreme Allied Commander in Europe was appointed, General Eisenhower, and NATO, in keeping with its charter, remained merely what it claimed to be—a military alliance.

That state of affairs came to an early end with the commissioning by the Atlantic Council (the ministers' meeting) of a Temporary Council Committee (TCC) set up "to reconcile the requirements of collective security with the political and economic capabilities of the member countries." This TCC, which held its first session in Paris in October 1951, was directed by the ubiquitous Averell Harriman (best defined by his lifelong commitment to the Nazi doctrines of eugenics), Frenchman Jean Monnet (whose career led him from opium money banking in Shanghai to attempted destruction of Europe's nation-states with his federalist version of the European Community, torpedoed by President de Gaulle) and Britain's Sir Edwin (later Lord) Plowden, a veteran from the U.K. Ministry of Economic Warfare and the Ministry of Aircraft Production.

In keeping with the extreme supranationalist views held by such leaders, the TCC final report filed a strong recommendation to "strengthen non-military cooperation. . . . The North Atlantic Treaty must become a permanent body . . . [and] be enabled to function continuously," they wrote, "with effective powers of decision, irrespective of the presence of ministers. . . ." The TCC report, in addition, recommended the creation of a Secretary-General of NATO. By 1952, Britain's General Lord Ismay had become NATO's first. That was the foot in the door.

The door was to be shoved open just a few years later. In 1956, the North Atlantic Council appointed a committee of three foreign ministers to explore "non-military cooperation in NATO," clearly an obsessive concern on the part of the organization's leaders. The three were Italy's Gaetano Martino, Norway's Halvard Lange, and Canada's Lester Pearson (who a few years later directed a U.N.-sponsored Commission on Third World Development Affairs, the conclusions of which were no less Malthusian than those of Pearson's successor Willy Brandt).

Their report boldly stated that "the fundamental historical fact underlying developments is that the nation-state . . . is inadequate for progress or even survival in the nuclear age. . . . This basic fact underlies our report and the recommendations contained therein." The report had been drafted by Jean Monnet's protégé, Guido Carli, who lamented in the body of the report that "NATO has not yet fully recognized the essential interrelationship between these two aspects of security—civilian and military." Further, the report stated that "NATO should not forget that the influence and interest of its members are not confined by the area covered by

the treaty. . . . [NATO] has not done enough to bring about that close and continuous contact between its civil and military sides," supranationalist Carli wrote.

The recommendations of the "Three," which were unanimously endorsed by the NATO Ministerial Council in December 1956, created NATO as a supranational bureaucracy. The specific recommendations included:

- The establishment of a NATO Science Committee;
- The establishment of a committee of NATO economic advisers (today the NATO Economics Directorate);
- An extraordinary development of the role, functions, status, and staff of the NATO Secretary-General.

More than anything else, this proved to be the feature that finally transformed NATO into the bizarre conglomerate of Malthusian fanatics described above. Little time was lost after the report of the Committee of Three had been approved. The ineffective Lord Ismay was replaced by the tough Belgian politician Paul-Henri Spaak, a former leading figure in the Belgian Trotskyist movement, whose career had skyrocketed when the Royal Family took him under their personal protection in the late 1930s.

To complete the (by then) impressive array of Atlantic agencies thus created, the Atlantic Congress of NATO Countries' Parliamentarians was induced to propose the establishment of a NATO think tank, the Atlantic Institute, which came into being in Paris in 1961, under East Coast blueblood Henry Cabot Lodge, one of the planners of the U.S. Vietnam disaster. One of the chief officers of the Institute was former Fiat executive Aurelio Peccei.

By then, the OEEC had grown into the Organization for Economic Cooperation and Development, the supranational economic-policy-making equivalent of NATO. And Paul-Henri Spaak had been replaced by another dignitary of the Sovereign Military Hospitaller Order of Malta, Italian diplomat Manlio Brosio. It seems that a title, membership in the Order of Malta, or its Protestant form, the Order of Saint John of Jerusalem, and a solid pedigree in eugenics and Malthusianism are *sine qua non* preconditions for holding high-level office in the NATO bureaucracy.

### **The cancerous apparatus of NATO**

The Malthusian commitment of the NATO controllers, exhibited so shamefully in their late 1940s promotion of "turnip winter" quasi-starvation conditions for the European population, and the fanatical hatred of nation-states they demonstrated in their attempts at building a federalist Europe, reached a turning point with the extraordinary success of the U.S. and Soviet space programs, which threatened to overturn their every plan and dream. Something urgent had to be done.

In 1968, NATO think-tanker Aurelio Peccei, and the OECD (the “civilian NATO”) Director-General Dr. Alexander King were brought together by top Soviet KGB talent-scout Dzhermen Gvishiani, the late Premier Kosygin’s son-in-law, and a leading official in the Soviet science and technology establishment. Together, the three men founded the Club of Rome, very much a NATO undertaking from the start.

Why NATO should bother to create an organization committed to ruining NATO nations’ industrial, technological, and scientific capacities, and the type of education that fosters such science-oriented growth, shows once more that the name of the North Atlantic Treaty Organization covers two entirely distinct realities: a secondary, minor factor—a wide number of military agencies—and a dominant, fast-developing, non-military bureaucracy. Professional military officers of NATO countries have seen the first NATO gradually become the prey of the proliferating futurologist and supranational bureaucrats—and increasingly losing thereby any efficient reality as a military power.

A first, major Club of Rome undertaking was the 1969 founding of an environmentalist agency within the NATO bureaucracy. That Committee on the Challenges of Modern Society (CCMS) was initiated by Henry Kissinger, then the U.S. National Security Adviser, and Daniel Patrick Moynihan, then special presidential assistant. These two greenies sold President Nixon the idea that “a new, social dimension had to be added to NATO.” Impressed by this “vision,” Nixon campaigned heavily with the allies for the establishment of this green NATO. What the new agency was is explained by NATO itself in the following terms:

“The alliance, much more than just a military organization, has a charter and a history that fit it for a wide variety of tasks. . . . There exists with the nations of the alliance a powerful, if still somewhat latent, concern with the deterioration, indeed, the degradation of national environments under the impact of technologically based industrialization. . . . [What is needed instead is] a significantly more fulfilling and meaningful environment.”

The aims of the new agency were set out in unambiguous terms: “The survival of human society as we know it—perhaps the survival of man as a species—is threatened now by a new factor: the rapid deterioration of the globe itself as an ecological system. . . . The world-wide ecological crisis (for crisis it is) has three main components: urbanization, now a universal phenomenon; the population explosion; and the damaging encroachment of man’s technologies on his physical and socio-cultural environments.”

Could it have been made clearer? NATO named the names of its three main enemies: *cities, people, and technology*.

And to stress the point once more, when the reluctant allies yielded to intense pressure from the White House, and accepted the establishment of the “green NATO,” the Committee on the Challenges of Modern Society, there were few greenies, and no mass environmentalist movement! That movement was created, to a large extent, by NATO directly.

How this was done was described by the CCMS itself, and published in a no more secretive location than the *NATO Review*. From its inception, CCMS was conceived as an organizing tool in charge of creating a movement:

“The CCMS program has created an international network of high-level specialists. . . . It uses diplomatic facilities, means of communication, and protocols, and those of NATO for its administrative and logistical activities. . . . [It] helps men to remain in harmony with a rapidly evolving world, [it] strengthens the national institutions which are concerned with environmental affairs. . . . It is the existence of [informal] networks and their role in the formation of a consensus. . . . CCMS has been particularly useful in the early stages of new key domains [of environmentalism]. . . . The interaction of the CCMS ‘communities’ is the real medium . . . of institutional change, and the greatest achievement of CCMS has been the facilitation of the process. . . . The committee has been able to make a significant impact because most [CCMS] experts are in key positions to serve as catalysts for change. . . .”

The Club of Rome had found its “conveyor belt,” which would train a cadre-force. The stage of the mass movement only came later. At that time, the Malthusians were still compelled to keep a relatively unobtrusive profile.

The OECD published in 1971 the report of its Ad Hoc Committee on the New Concepts of Science Policy, led by Harvey Brooks—whom we find among the leading speakers of the April 1978 Brussels conference reported above. The Committee wrote: “Science is in disarray because society itself is in disarray, partly for the very reason that the power of science has enabled society to reach goals that were formerly only vague aspirations, but whose achievement has revealed their shallowness and created expectations which outrun even the possibilities of modern technology. . . . Policies concerned with science and technology in the next decade will have to take into account, much more explicitly than in the past, the benefits and disbenefits, actual and potential, that may result from the application of science or the deployment of technology.” Aurelio Peccei’s comment of 1978 on this piece is revealing: “Nowadays, one can be blunter.”

This astonishing piece of new left ideology printed without a hiccup by the “respectable” and dignified OECD, the sister institution of NATO, typifies the great

strides already made then by the Malthusian ideas that had led to the establishment of the whole network of supranational institutions of the postwar period. By then also, the NATO central apparatus was in full bloom, under the supervision of Joseph Luns.

While many NATO documents lay thick layers of decorative veneer on reality, and stress with great effort and little credibility that “NATO is not a supranational organization,” the fact that its permanent apparatus is supranational is more difficult to conceal. Since the 1956 reforms, and in successive stages, the office of the Secretary-General has acquired formidable powers. The Secretary-General is the chairman of:

- The North Atlantic Council (inter-government level);
- Defense Planning Committee;
- The Nuclear Planning Group;
- The Committee on the Challenges of Modern Society.

The Secretary-General heads a number of other senior committees, and the international staff of NATO at Brussels headquarters. He controls the “private office” and the Office of the Secretary-General, and that of the legal adviser. Additionally, the NATO Office of Security—a mysterious outfit—reports to the Secretary-General directly, and its known functions are “to coordinate, monitor, and implement NATO security policy. The director of security is the Secretary-General’s principal security adviser, the chairman of the NATO Security Committee, and [he] directs the NATO headquarters security service.”

Given the extraordinary interpenetration of Europe’s environmentalist, pacifist, and terrorist movements, and the role played by NATO in fostering the green and peacenik components, questions are inexorably raised concerning the exact role played by the “independent” NATO intelligence services in European terrorism. Italian experiences with the Verona southern flank NATO center for psychological warfare, which coordinated several attempted coups d’état in the 1960s and 1970s, as well as Red Brigade operations, and quite recently operations at the Sigonella, Sicily NATO base, only strengthen these suspicions.

Among the innumerable other bodies that pullulate within the NATO structure, attention should be concentrated on an agency placed under the authority of the Assistant Secretary-General for Defense Planning and Policy, the Senior Civil Emergency Planning Committee (SCEPC). The Committee is in charge of drawing up the plans for the “coordination of plans for use of civil resources in support of the alliance defense efforts; the rapid transition of peacetime economies to an emergency footing. . . .” Under this respectable façade, we find formidable powers, and an extremely wide scope for such “civil emergency planning.” It embraces:

- The continuity of the machinery of government;
- The maintenance of law and order;
- The mobilization and use to the best advantage of natural resources (energy, manpower, transport systems, production capacities, food and agriculture, raw materials, telecommunications);
- Civil defense: warning, rescue service, and health care.

The Committee, enabled to “provide for a range of contingencies,” represents, in other and more brutally realistic words, the alternative machinery of a supranational dictatorship. In case of “emergency,” the powers of these NATO civil wartime agencies could be invoked. SCEPC, which was tested during the 1975 Hilex maneuvers, comprises eight planning boards and committees which are the nuclei of the wartime emergency agencies, and cover the control of population movements (“population control”) as well as a central supply agency centralizing food, agricultural goods, and industrial commodities, the pooling of all merchant ships and agencies for the control of inland surface transport in central Europe, and transport in the Mediterranean, as well as civil defense.

The NATO Assistant Secretary-General for Infrastructure, Logistics, and Council Operations has oversight of (undisclosed) crisis management plans and arrangements. In both cases, the example of the dictatorial government apparatus constructed in the United States under the cover of the Federal Emergency Management Administration (FEMA) is the immediately relevant reference.

Worst of all, given the nature of the apparatus that controls NATO lock, stock, and barrel, there cannot be the slightest doubt that such emergency powers, as soon as invoked—under the impact of a crisis in petroleum supplies, for example, after or during a conflict in the Persian Gulf—would be used by the thoroughly evil Malthusian conspiracy of oligarchs, and their weird employees, to sweep away the prerogatives of the sovereign nation-states.

It is very unfortunate that Charles de Gaulle’s courageous attempt, when he inflicted a severe strategic setback to that apparatus by pulling France out of NATO and thereby destroying the aura of invulnerability and total power of the NATO bureaucracy, could not succeed in finishing off the beast. For this reason, *EIR* founder Lyndon LaRouche has recently proposed that “the fruit-cake side of the NATO organization must be closed down, and the lunatics sent back to the Tavistock Institute and other cookie factories. . . . The remaining, legitimate aspects of our military alliance organizations must then be reorganized simply as a military general-staff function.” NATO countries’ military would certainly be in better shape—not to speak of their civilian society.

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## Investigative Leads

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# Border targeted for terrorist upheavals

by Jeffrey Steinberg

A series of meetings is under way in the U.S. Southwest involving terrorist organizations from the United States, Mexico, Central America, and the Middle East. All the participants in these meetings, which began the weekend of May 28, are not likely to be aware of the overall objectives involved; however, leading figures within American agencies dominated by British intelligence—including the office of Secretary of State Alexander Haig, the FBI, and sections of the CIA associated with Nelson Rockefeller's old Office of the Coordinator of Inter-American Affairs (OCIAA)—and within the so-called Nazi International centered in Switzerland, intend to unleash a wave of terrorism against the United States and Mexico.

The objectives of British intelligence are to trigger severe internal unrest inside Mexico, beginning in the northern border area, to provide justification for the State Department's plans to eventually place American troops in Mexico's oil fields in the interest of "U.S. national security."

Among the leading figures involved in this operation is **Armand Hammer** of Occidental Petroleum and the Aspen Institute. In a speech in London at the end of May, Hammer reiterated his "prediction" that the price of oil would surpass \$100 per barrel by the end of the decade, and stated that the United States will have to rely on Mexican oil for its energy needs. Hammer's protégé, Libyan dictator **Muammar Qaddafi**, has been identified by *EIR's* law-enforcement newsletter *Investigative Leads* as one of the primary funders of the terror buildup against Mexico.

At the heart of the planned upsurge is a network of "captive nation"-type organizations, each claiming sovereignty over ethnic and "tribal" territories in the United States and Mexico. These organizations include:

- The National Committee to Free Puerto Rican Prisoners of War;
- The National Committee to Defend New Afrikan Freedom Fighters;
- The National Committee Against Repression;

- The New Movement in Solidarity with Puerto Rican Independence;
- The International Indian Treaty Council;
- The American Indian Movement;
- Weatherground Prairie Fire;
- The Black Liberation Army;
- The FALN;
- Movimiento de Liberación Nacional; and
- Comité de Defensa Popular (CDP).

On May 28-30, these groups met in Denver, Colorado. According to a representative of the National Committee to Free Puerto Rican Prisoners of War, the Denver event is aimed at forging a joint terrorist command directing activities simultaneously against U.S. and Mexican targets. The spokesman underscored that all the participant groups are working particularly closely with the Chihuahua-based CDP and that the Denver conference will place special emphasis on the renunciation of the 1848 Treaty of Guadalupe-Hidalgo, which defined the present U.S.-Mexican border.

The CDP's cross-border recruiting line is that the "Chicano-Mexicano" borders of Mexico runs up through Colorado. This cross-border profile identifies the CDP as a primary fusion point for terrorist networks active in both Mexico and in the United States. This function was demonstrated in December 1981 and again in early May of this year when U.S. and Mexican "captive nation" groups staged violent demonstrations in Ciudad Juárez, Chihuahua against the U.S. consulate. U.S. law-enforcement sources have reported May 28 that American Indian Movement leaders **Russell Means** and **Dennis Banks** were then in the Ciudad Juárez area meeting secretly with CDP leaders preparing the terror wave.

From June 3 to June 13, most of the Denver conference participants (estimated at 200-300 hard-core terrorists and supporters) will join with terrorist groups from Central America, South America, and the Middle East at a semi-clandestine meeting on the **Papago Indian** reservation in southern Arizona, near the Sonora border at Nogales. According to American intelligence sources, the Papagó event is being heavily financed by radical Palestinian and Libyan circles. These same Arab circles sponsored a Black Muslim conference in Chicago last February, chaired by Libyan asset **Louis Farakkan**. At that conference detailed plans were laid out for staging urban riots in a half-dozen major American cities this summer.

The same sources have identified former U.S. **Sen. James Abourezk** as an important funding conduit for the Papago event. Abourezk, whose wife, an American Indian, is a leading behind-the-scenes controller of the American Indian Movement (AIM) terrorists in the United States and in Central America, recently established the Arab Anti-Defamation League as a conduit

for Muslim Brotherhood funds into U.S. terrorist circles. Abourezk's Washington, D.C. law firm is the official U.S. representative of the Khomeini regime.

The Papago event is of special significance for Mexican security services. The Papago Indians maintain tribal settlements throughout the state of Sonora. In March of this year, the Sonora Papagos took over the offices of the Instituto Nacional Indigenista in Caborca, Sonora. A leader of that takeover, **Roberto Cruz**, is a director of the Papago Committee Center in Santa Rosa, Arizona, which is coordinating the June 3-13 event.

Law-enforcement officials in Arizona have identified the area of the Papago meetings as a hub of cross-border trafficking in guns and drugs. The sources identify a triangle connecting Sells and Yuma, Arizona, and Nogales, Sonora as the heaviest concentration points for gun- and drug-related terrorist activities.

### **Nazi International control**

The Comité de Defensa Popular represents one useful focus of investigation for agencies committed to tracing the planned destabilization up to its British intelligence and affiliated continental oligarchical control. As the result of interviews conducted in both Mexico and in the Federal Republic of Germany, *EIR* has established that the CDP is officially a representative organization within the **Society for the Defense of Endangered Peoples**. This organization, headquartered at the University of Göttingen in West Germany, is directly linked to the Nazi International, based in Switzerland. The Society also lists **Ivan Illich**, a leading Jesuit terrorist controller and advocate of feudalism, as an official adviser specializing in Mexico and Central America. Through his editorial position with the radical publication *Punto Critico* Illich maintains a direct hand in CDP operations.

Within Mexico itself, this British intelligence/continental oligarchical apparatus has been identified for the past dozen years as a controlling force over all terrorist groups, including the **Liga 23 de Septiembre**. Another suit priest, **Herman von Bertrab**, formerly of the Technical Institute of Monterrey and now a consultant to **Sintemex**, has been identified as a controller of the Liga 23. **Partido Social Democrata** (PSD) officials in the state of Sonora, including **Ana Irene Arellano**, have been linked to both the terrorist and drug-trafficking aspects of the destabilization project. Arellano and the Sonora PSD apparatus are under the overall supervision of Arcadio Valenzuela, a director of **Banpacífico**, a conduit for drug revenues between the western states of Mexico and southern California, and a major shareholder in **Hooker Chemical Company**, a wholly owned subsidiary of Hammer's Occidental Petroleum. A senior partner in the PSD's Sintemex consulting firm is **Charles Henry**

**Lee**, chief executive officer of Hooker Chemical in Mexico throughout the 1970s. The sister bank to **Banpacífico**, **Banco del Atlántico**, is dominated by **Remy Schlumberger**, a French-based member of the Schlumberger family of Paris and Houston that was investigated by New Orleans District Attorney Jim Garrison and by the French SDECE for its involvement in the Permindex British intelligence front that orchestrated the assassination of John F. Kennedy and over 30 attempts against Charles de Gaulle.

Recent reports of a planned merger of the Banco del Atlántico and the **Bank Aboumrad** conform to the overall profile of the upgrading of the terrorist command structure at every level. The Bank Aboumrad is a principal conduit of money from Lebanese Falange (Blue Army) channels into all terrorist groups in Mexico, Central America, and the southwest United States. Through Antiochian Archbishop of Mexico **Antonio Chedrawi**, Soviet KGB channels also maintain active input into the terrorist command. The Antiochian Church has been a joint asset of British intelligence and the KGB since the end of World War II.

From the internal Mexican standpoint, all of these elements come together around the person of former Mexican President **Miguel Alemán** and the Alemán-linked **Banamex**. It was Banamex that sponsored the January 1982 **Atalaya II** conference which drew together leading figures from British intelligence and the European black nobility to prepare the present assault against Mexico. **Carlos von Bertrab**, the twin brother of the above-cited Herman von Bertrab, is officially listed as a consultant to Banamex. The bank also lists on its board of directors Remy Schlumberger of the Permindex-connected family. It is the Houston branch of the Schlumberger family that coordinates Muslim Brotherhood terrorist networks in the U.S.-Mexico area through the Rothko Chapel.

There is a clear litmus test that can be employed by security services in both the United States and Mexico to single out the hard-core terrorist circles from legitimate Hispanic institutions that should be protected in the course of a necessary crackdown on and destabilization of the planned terrorist activation. All legitimate Hispanic organizations at this time are necessarily focusing their efforts against the British racists who are attempting to conduct a war of extermination against the people of Argentina and the Southern Hemisphere in general. Any Hispanic organizations that are not principally mobilized against the racially motivated genocidal efforts of the Thatcher government and the British Crown are suspect. All organizations not combating this British-directed genocide are controlled entities of the British Secret Intelligence Service or its U.S. surrogates in the FBI and State Department and in the Armand Hammer-United Brands orbit.

## The Sonora battle

*Despite having one of the country's best governors, the PRI party apparatus is weak in this weathervane state.*

**G**overnor Samuel Ocaña of Sonora cracked down the last week of May on border crime and on terrorist networks working through several of the opposition parties, who were using the new Political Reform law at the state level to camouflage their activities.

On May 23, the state electoral commission stripped the registration from PAN party candidates in the border cities of San Luis Río Colorado, Nogales, and Naco. Investigation had shown the candidates had criminal records, including convictions for fraud, automobile theft, arms contraband, and in one case, participating in the ranks of the terrorist 23rd of September League group. It was announced that the mayoral candidate of the PAN in Ciudad Obregón, the second largest city in the state, also had charges pending against him, and action on his candidacy is expected.

As this column has repeatedly noted, the political reform is a pluralist concoction with dangerous implications for maintaining the republican institutions of the country. The Sonora-Arizona border area is a special flashpoint for national security concerns (see article, page 44).

The national leadership of the PAN, an avowedly rightwing "solidarist" party with roots in the fascist National Action parties which sprang up in numerous Latin America countries just before

World War II, raised an outcry about the disbarment of its border candidates.

The move against the PAN in Sonora has particular significance because of Sonora's vanguard commitment to rapid economic and social progress. The state has the most advanced agriculture in the country, and has won that capability by "making the desert bloom."

However, a large portion of the faction-ridden local PRI apparatus is making deals with the PAN and with the PAN's sister solidarist operation on the "left," the Social Democratic Party (PSD).

Stabilizing the situation is the strong presence of the Mexican Labor Party (PLM) in the state. While the PAN and the PSD attack Ocaña's industrialization projects, the PLM has brought skilled farmers, students, and entrepreneurs into a statewide network of support for the giant Water Plan of the Northwest (PHLINO) and the Nuclear Test Reactor Center, soon to be constructed outside the state capital of Hermosillo.

It was no surprise to see giant PLM banners at the May 9 inauguration ceremonies for construction of a new 447-kilometer stretch of canal which will connect the Río Fuerte and the Río Mayo irrigation districts in the south.

With President López Portillo on hand, Governor Ocaña highlighted the importance of the PHLINO as the bridge toward the

day "when we have the atom to convert our seawater into fresh water, and irrigate our enormous plains and deserts."

At a PLM regional conference in Ciudad Obregón the weekend of May 29, party leaders warned that elements of the PSD and PAN, working in collaboration with the anarchist-environmentalist communes, were planning violent actions to stop the nuclear project.

The PLM presence in eight state and local races in July's election has caught the notice of more than local forces. A U.S. journalist named Marvin Alisky charged in a *Wall Street Journal* black propaganda piece of June 2 that the campaign of Patricio Estévez, the PLM's candidate for senate in Sonora running against former Pemex chief Jorge Díaz Serrano, was backing Britain in the Malvinas Islands dispute.

The witting lie—one of the hallmarks of Estévez's campaign has been calls for Mexico to back Argentina's anti-colonialist fight—seems to have been an effort to cross wires in readers' minds regarding America's leading anti-British political figure, *EIR* founder Lyndon H. LaRouche, who was a guest of honor the week before at the PLM's Fourth National Congress in Mexico City.

Subsequent investigation has shown that Alisky coordinated with local U.S. consular officers special "dirty tricks" operations against the PLM in Sonora. These consular personnel were traced back to U.S. International Communications Agency officers in Mexico City and State Department officials in Washington, who are scrambling to contain the PLM's influence in Mexico and LaRouche's influence in Latin America.



## The fruits of an alliance

*Is Washington sacrificing the Middle East to Moscow through its support for the Ayatollah Khomeini?*

Just as Washington is losing its influence in Latin America to the U.S.S.R. as a result of its support for Britain in the Malvinas war, so too is Washington turning the Middle East over to Moscow as a result of its aid and comfort to Iran's Khomeini regime.

Saudi Arabia and its conservative Arab neighbors, long the allies of the United States, have recently initiated contacts with the U.S.S.R. through the Soviet embassy in Kuwait. Although they do not yet maintain diplomatic relations with Moscow, the Gulf states have begun to look to the Soviets to do what they have repeatedly urged the Americans to do, to no avail: contain the spread of Khomeini's fascist Islamic fundamentalism.

On May 31, Radio Moscow broadcast a warning that first appeared in the Communist Party daily *Pravda* instructing Iran to keep its forces out of Iraq or face a wider war in the Persian Gulf and Middle East. The Soviet warning was timed to coincide with a meeting of the Gulf Cooperation Council, a six-nation Gulf alliance comprised of Saudi Arabia and its neighbors, to discuss Iran's recent victories over Iraq.

The effect of the *Pravda* statement was no doubt heightened by the fact that it followed by less than 72 hours Alexander Haig's refusal to censure Iran in his speech on Middle East policy. Earlier, Haig's State Department and Israel's Min-

ister of Defense Ariel Sharon had publicly admitted that the United States and Israel were coordinating arms shipments to Iran.

*Pravda* urged both Iran and Iraq to "agree to a just peace." But the Khomeini regime has almost daily declared its unwillingness to negotiate with Iraq until President Saddam Hussein is ousted.

By stepping into the Gulf crisis, Moscow, in cooperation with its ally Syria, is opportunistically taking advantage of Washington's abdication of responsibility in the region, and sending a message to Europe and Japan that Moscow will increasingly become the arbiter of their oil-supply stability.

Despite their stern words toward Iran, the Soviets are not necessarily opposed to the idea that Saddam Hussein must go. According to intelligence sources, the Soviets have activated a scheme to replace Hussein with their own man, a move that could lead to shake-ups in Saudi Arabia and other Gulf states, bringing to power in the Saudi kingdom Syria's—as well as Moscow's—ally, Second Crown Prince Abdullah.

At Moscow's prodding, Syria is now advocating that Saddam Hussein be replaced by the exiled Iraqi dissident Gen. Hassan Mustafa Naqib, the leader of a motley coalition of radical Shiite Muslims, the Iraqi Communist Party, and Kurdish militants, all of whom have been implicated in earlier ef-

forts to overthrow or assassinate Hussein. Presumably, Khomeini would be willing to negotiate with the new leadership.

Within the inner circles of Iran's ruling Islamic Republican Party, a debate is now raging as to when and how to invade Iraq. Khomeini has repeatedly declared that he will push into Iraq in order to catalyze Saddam Hussein's overthrow.

Whether it is Iran or the Soviet Union that succeeds in removing Saddam Hussein from power, the Iraqi President's fall will provoke a level of regional chaos, beginning with Iraq's disintegration, which neither the Soviets nor any other power will be able to control.

Speaking to the Iranian Parliament in late May, Ayatollah Rafsanjani declared that it "will soon become necessary to invade Iraq." He rebuffed offers of war reparations made by the Gulf states on behalf of Iraq and ranted that the overthrow of Hussein will not be the end of the Gulf war. Rafsanjani pledged that Iran will only be satisfied when "tyranny" in the region is brought to an end—a not-so-subtle allusion to Iran's plans to topple the monarchies of Saudi Arabia and its neighbors.

On June 1, Lebanese Foreign Minister Fuad Butros assailed Washington's Middle East policy as "unrealistic" and "makeshift." Also on June 1, the Israeli consulate in New York issued a release noting that in "the minds of all Arab leaders, there is the growing image of the U.S.S.R. as if it is in a uniquely superior position to meet many of the security concerns of these regional leaders." Increasingly, the release notes, moderate Arab leaders are rejecting Haig's Middle East "strategic consensus."

# International Intelligence

## **Rapid Deployment Force reported near Sicily**

According to reports circulating in Italy, U.S. Rapid Deployment Force (RDF) units held maneuvers in the Trapai Sea off Sicily's West coast at the end of May.

Similar maneuvers have been held before, but this time they were carried out in strict secrecy, at the same time that what Italian sources identified as a "frantic" U.S. military buildup was underway on the island between Sicily and Libya. American personnel are said to be hastily constructing airfields and missile installations on Panatelleria Island, southeast of Sicily. Civilian preparedness maneuvers were held in Sicily for the second time in May.

The RDF is central to the new emphasis on a conventional arms buildup for use against less-developed countries. The doctrine, advanced by the "peace" movement associated with former Governor Averell Harriman, envisions increasingly likely confrontations between the West and its former colonies.

## **Mubarak targeted by Muslim Brotherhood**

According to intelligence sources, the word is out that an attempt on the life of Egyptian President Hosni Mubarak will be made some time in June or early July. The assassination is to be run through the same networks that eight months ago murdered Mubarak's predecessor, Anwar Sadat. The talk of Mubarak's assassination coincides with reports that the Muslim Brotherhood extremists in Egypt have regrouped following Mubarak's clampdown in the wake of the Sadat assassination, and have positioned themselves to carry out the hit.

The plot against Mubarak is part of a larger operation to squeeze Egypt into going well beyond Camp David, by cooperating with Haig's out-of-area deployment schemes for the region at the

expense of the Egyptian economy and genuine progress on the peace front. The House Armed Forces Committee upped the ante on Mubarak June 2 when it voted against an allocation of \$100 million for renovating Egypt's Ras Banas military base, citing Egypt's lack of assurances that the base could be used by the Americans in the event of a regional emergency.

Mubarak's adviser Mamdouh Salem recently visited China, whose representatives have been working the Gulf to win new friends. According to wire reports, Mubarak himself may soon visit China.

## **Spain in NATO, but not in Britain's pocket**

Although Spain on May 30 officially joined the North Atlantic Treaty Organization, after all 15 NATO countries had ratified its entry, the action remains hotly contested domestically, not least within the army. Opposition to entry into NATO surfaced in the context of the British invasion of the Malvinas Islands. Spain is the only Western European country to support Argentina's claim to sovereignty over the islands.

Spain had been expected to enter formally at a ceremony in Brussels at NATO headquarters on June 5, but instead the government hurried through the move, announcing it just a few hours before the Spanish chargé d'affaires in Washington handed a letter of confirmation to the U.S. State Department. The Socialist Party has denounced entry as "an historic mistake that we will have to pay for," and a party spokesman said the purpose of the sudden move was to avoid further public discussion of the NATO issue.

Spanish Foreign Minister Llorca on May 31 emphasized "Spain is allied to England in the context of defending democracy. It is absolutely not allied to England in the Malvinas."

Spain's observer at the May NATO

foreign ministers' meeting stressed that his country's entry into NATO would not mean allowing NATO forces to be based on Spanish territory for out-of-area deployments. An editorial in the Spanish magazine *ABC* at the end of May pointed out that Spain's good relations with Arab countries and North Africa should not be jeopardized, "all the more so since during the 1973 Egyptian-Israeli war, the military equipment Israel lost in the first phase of the conflict was moved from NATO bases in Europe." The United States must realize, stated *ABC*, that if the British do not give Gibraltar back to Spain "we cannot have a foreign policy at all."

## **West Germany debates defense policies**

The recent proposal by former U.S. Defense Secretary Robert McNamara et al. for NATO to renounce the first use of nuclear weapons has triggered a debate in West Germany. The Bonn government has rejected the no-first-use concept, which was proposed early this spring in an article in *Foreign Affairs*, the magazine of the New York Council on Foreign Relations. West German Defense Minister Hans Apel commented in an interview with Deutsche Welle radio May 17 that the West must preserve the option of using nuclear weapons first "to give the Soviet Union no chance to find out how we would react if it attacked us."

Other Bonn politicians from both Apel's Social Democratic Party (SPD) and the opposition Christian Democratic Union (CDU) have called for a debate within NATO on military policy. After a mid-May visit to Washington, Horst Ehmke, a leading SPD parliamentarian, called for the formation of a "working group" in NATO to investigate the possibility of removing some nuclear weapons from Europe. Ehmke discussed this with Sen. Sam Nunn, and was reportedly impressed with Nunn's proposal that the United States could withdraw several

## Briefly

thousand nuclear weapons from Central Europe and renounce the first use of nuclear weapons provided the conventional forces of the West were improved.

Egon Bahr, the SPD architect of former Chancellor Willy Brandt's *Ostpolitik*, has endorsed the CFR's no-first-use proposal and the idea of a conventional arms buildup. In Bahr's view, these policies would make it possible to avoid deployment of U.S. medium-range nuclear missiles in Western Europe. Bahr is a member of the Palme Commission on disarmament.

Manfred Woerner, CDU defense policy spokesman, suggested May 21 that antiquated American nuclear weapons with a range of between only 15 and 30 kilometers, could be withdrawn from Europe and replaced by precision weapons with conventional warheads, with no harm to NATO security.

Woerner came under fire from his own party, however, which officially disassociated itself from his position. Friedrich Zimmerman, the deputy chairman of the Christian Social Union (CSU—the Christian Democrats' Bavarian coalition partner), stressed that even withdrawal of short-range nuclear weapons would create an "unacceptable risk."

### *Sweden tries to close a controversial newspaper*

Sweden's Supreme Administrative Court (Regirungstraetten) ruled on May 4 that *Ny Solidaritet*, published biweekly in Sweden, is not a newspaper, and thus does not qualify for exemption from Sweden's Value-Added Tax (VAT). If enforced, the effect of the ruling would be to repress the paper, since taxes in the range of tens of thousands of dollars would be due.

*Ny Solidaritet* is a sister publication of *EIR*; its English-language counterpart is published by New Solidarity International Press Service, which is also the publisher of *EIR*. Olof Palme, the former Socialist Prime Minister of Sweden who

is now trying to make a comeback, has been often attacked in the pages of all three publications as an international spokesman for fascist economic policies.

This could become a hot political scandal, because Palme went on national Swedish television to attack the European Labor Party, whose leader, Kerstin Tegin-Gaddy, is editor of *Ny Solidaritet*, on April 14 while the court was still considering the case.

The court's decision is not appealable, and under Swedish law no explanation need be given. The court stated that there was a precedent for the decision but that it could not be revealed!

From the United States, various Swedish journalists, the PEN international writers' organization, and the Swedish Embassy have agreed to make inquiries in Sweden concerning the case. The Swedish Embassy press attaché, however, told a caller on June 2: "Nobody knows who funds [the European Labor Party] . . . The CIA? The communists?"

### *Peking pokes U.S. interest-rate sore spot*

The official Chinese media has named U.S. high interest rates, not Japanese protectionism, as responsible for trade frictions stemming from the inability of U.S. goods to compete with Japanese manufactures.

The May 30 issue of the *People's Daily*, the official organ of the Chinese Communist Party, said that high U.S. interest rates stifle large capital investment in plant and equipment crucial for increased productivity of U.S. industry. The newspaper added that high interest rates are also responsible for an artificially undervalued yen, making Japanese goods more attractive to foreign buyers.

The *People's Daily* article is the latest in a series of Chinese media commentaries noting fundamental weaknesses in the United States while defending countries like Japan against U.S. attacks.

● **HUGH FOOT**, a senior British intelligence spokesman, also known as Lord Caradon, told a Washington audience on May 28 that the problem of Jerusalem initiative to create two cities: one Arab and the other Jewish. This was the British post-colonial "keep the natives killing each other" method applied so successfully in the creation of Israel.

● **PHILIP AGEE**, the former CIA agent whose Counterspy group in the U.S. has set up U.S. intelligence agents for assassination, is currently working on a more ambitious project in West Germany. Agee has been training members of the Kommunistische Bund Nord left-terrorist coalition in order to deploy against the BKA (German Federal Police), CIA, and other enforcement bodies.

● **ROLAND VOGT**, an Executive Board member of West Germany's environmentalist Green Party, was kicked out of the related BBU federally funded citizens' initiative group at the beginning of June, because it became widely known that he had met with Libyan dictator and sponsor of international terrorism Muammar Qaddafi. Qaddafi has offered to finance the "peace" movement in West Europe, and Vogt advocated taking the Colonel's money. Vogt met with leaders of Barry Commoner's misnamed Citizens Party in the U.S. the weekend of May 29.

● **GENSUIKEN**, a Japanese peace organization run by the Japan Socialist Party (JSP), can send its members to the U.S. for a rally during the U.N.'s Special Session on disarmament. The okay was provided by Alexander Haig's State Department despite the fact that JSP activists have been strongly linked to the Japanese Red Army terrorist group and violent antinuclear protests.

# Nuclear strategy: a new level of official insanity

by Lonnie Wolfe

Secretary of Defense Caspar Weinberger gave his final approval in April to a secret five-year military guidance document that commits the United States to a policy of psychological intimidation of the Soviet Union and its allies on a massive scale, while facilitating deployments to police meatgrinder “population warfare” in the developing sector.

As President Reagan prepared to leave for more than a week of summit meetings in Europe, the 125-page five-year guidance was summarized in a front page May 30 *New York Times* article provocatively featuring its plans for “protracted nuclear warfare” against the Soviets. The *Times* article effectively circulated the guidance internationally, fueling expected demonstrations by the peace movement in Europe and the United States against the Reagan administration’s defense policies.

The document was reportedly drafted under the supervision of Weinberger’s chief deputy, Frank Carlucci, the former Carter administration deputy director of the Central Intelligence Agency who helped run the Solidarist destabilization of Poland. Sources report that Assistant Secretary of Defense for Policy Fred Iklé, a member of a prominent Swiss banking family, drafted the key components of the guidance, including the global nuclear war plans and the call for immediate economic warfare against the East bloc.

Defense Department sources say the strategy guidance is consistent with a recent National Security Council directive promulgated by National Security Adviser Wil-

liam Clark. That directive, outlined in a May 21 speech by Clark, was said to have been prepared under the supervision of Clark’s chief deputy, Robert McFarlane, former chief counsel at the State Department and aide to Henry Kissinger.

These sources report that the guidance was leaked to the *Times* with “unofficial-official” Defense Department approval through Iklé’s office. As one source put it, “No one gets hold of a document like this unless a higher-up in the DOD wants them to. Iklé wants to advertise to the world how tough he is. . . .”

## Nuclear ‘decapitation’

A top Washington-based defense analyst with connections to the DOD planners termed the document “a doctrine of armed psychological warfare and bluff.” According to the guidance, the United States announced its intention to fight a protracted nuclear war, and to fight it according to a strategy known as “decapitation”—massive strikes at the Soviet leadership and its Soviet communications lines.

In addition, the guidance foresees non-linear escalation of warfighting. For example, should war break out at sea, the Soviets could not be assured that the United States would not launch a nuclear strike at the Soviet homeland and its leadership.

This represents a level of strategic insanity beyond even the Carter administration’s “limited nuclear war” blueprint, Presidential Directive 59. All previous doc-



*The Pentagon's Fred Iklé, a Swiss-influenced mole.*

trine was based on the idea that a nuclear exchange at the strategic level would be a quick affair, either limited, in the Schlesingerian view, or a total conflict which neither side would win.

Iklé and company have now opted for a twisted version of a war-winning strategy. Their view is based on the idea that the Soviet Union is an empire run by an autocratic elite. If the U.S.S.R. were decapitated, the empire would collapse, the Iklé-Weinberger doctrine asserts.

The doctrine is pure psychological warfare. There is no intention of actually fighting a nuclear war with the Soviets. The idea is to threaten the Soviet leadership with extermination during a crisis, bluffing them into backing down, despite their military superiority. It is a variation of the "mad dog" doctrine espoused by British agent Henry Kissinger, modeled on Adolf Hitler's geopolitics: Make the Soviets believe that the United States is insane enough to launch a nuclear war on any provocation, and the Soviets will back down. The new twist is the notion cooked up by British psychological warriors and military incompetents like retired Gen. Maxwell Taylor of Vietnam War infamy—that the highest priority of the Soviet leadership is the preservation of the Soviet leadership per se, not the Soviet nation—hence they would never risk a war in which that elite's existence was threatened.

"They've got it all wrong," one analyst stated. "When the Soviets talk about protracted warfare in

nuclear war, they mean after a total nuclear exchange. This [the Weinberger guidance] is complete miscalculation. If you provoke the Soviets, they will go to nuclear war to defend their homeland—whether you target their elites or not."

### **Conventional bloodbaths**

By threatening nuclear annihilation, Weinberger, Iklé, and their British mentors hope to force the Soviets to accept an "alternative" of unlimited conventional warfare in the developing sector.

The strategy guidance contends that the most likely military contingency to be faced by the United States and the rest of NATO is protracted conventional warfare against the Soviets or their surrogates in the developing sector. It gives priority to, in descending order, the defense of U.S. territory, Western Europe, and the Persian Gulf. In a move that is sure to anger America's Japanese allies, the defense of Asia is ranked as a lower priority than the above, and forces from the Western Pacific may be shifted to other regions. The implication is that the Japanese will have to pick up the slack caused by such redeployments, whether they like it or not.

The guidance proposes a massive build-up of conventional forces and asserts a U.S. prerogative to intervene militarily in the Persian Gulf, whether or not it is invited by a friendly nation. The Rapid Deployment Force, the military capability designed by the Carter administration planners for such exigencies, is earmarked for deployment to the Gulf area.

The guidance further states that the United States will not necessarily intervene in conflicts within the developing sector that do not immediately threaten its strategic interests or involve Soviet troop deployments. This is a green light for population-destroying wars like that between Iran and Iraq.

The Weinberger-Iklé posture is an official endorsement of the unilateral use of NATO forces for deployments into the developing sector—i.e., out of the NATO treaty area. This extension of NATO southward has been the subject of policy discussions among the United States, France and Britain. The guidance incorporates these discussions about an informal "out-of-area directorate," consisting of the French, the Americans, and the British, into U.S. doctrine. The reason that the United States can be primarily concerned with the Mideast is because the French will take care of Africa, and the British South America.

The doctrine also envisions arming surrogate powers in the Southern Hemisphere, which will be policed by NATO/U.S. forces should their conflicts "get out of hand." This is an explicit population-reduction policy, authored by the same British policy circles that are directing the bloody gunboat diplomacy in the Malvi-

nas.

## **Economic warfare on the East bloc**

The document further proposes that economic warfare against, and political destabilization of, the Soviet Union begin immediately. According to the Weinberger strategy, economic policy is to be subordinated to geopolitical military doctrine.

“Peacetime competition with the Soviet Union would put as much pressure as possible on the Soviet economy already burdened by increasing military spending,” writes the *Times*, describing the Weinberger strategy. “As a peacetime complement to military strategy, the guidance asserts that the United States and its allies should in effect declare economic and technical warfare on the Soviet Union. . . .”

Both Weinberger and Iklé have been publicly stumping for such policies, focusing on control of credit for East-West trade. They have done so in the face of strong opposition from Europe, especially from West Germany. The strategy elevates a credit cut-off to a primary policy goal.

The Pentagon guidance further elevates “special operations”—guerrilla warfare, sabotage, and psychological warfare. The type of capabilities deployed during the ongoing Polish destabilization are to be enlarged.

These policies, popularized by the discredited Carter administration National Security Adviser, Zbigniew Brzezinski, reflect the same misguided view of the Soviet Union embodied in the insane nuclear targeting doctrine. Brzezinski’s theory—now adopted by the DOD as the basis for strategic doctrine—is that the Soviet “empire” could be weakened to the point of collapse by economic warfare and internal destabilization.

Though this theory was discredited by the Soviet handling of the Polish crisis, the view, which leads towards dangerous provocations inside the East bloc, persists among British ruling circles and their American retainers. It is a signal indication of the desperation and dangerous fantasy pervading Anglo-American strategists.

Similarly, the guidance revives another component of this “strategy of tension” against the Soviets—the so-called China Card. It calls for the United States to fund China’s military development to keep Soviet troops tied down on the Chinese border.

## **The quick fix**

The guidance, which is to serve as a military procurement guideline for the next five years, is replete with charts and figures projecting the need to build up U.S. forces to meet its goals. In that way, the civilian defense department planners hope to sell their scheme to the more skeptical military.

Even an incomplete examination of the published

*Times* leak exposes the proposed military build-up as an ineffective quick fix. The strategies will have to be adjusted to deal with a projected shortage of funds, the guidance admits, meaning that U.S. military posture will still be strapped into the monetarist straitjacket imposed by Federal Reserve Chairman Paul Volcker’s tight money policies and by the resultant global depression.

Top priority is given to cheap schemes required to “project” military power. When push comes to shove in the money squeeze, new weapons programs and R&D are to be sacrificed to build up conventional forces. Similarly, while there is much talk about improving strategic forces, the only priority is given to the deployment of several thousand super-accurate cruise missiles, the modern day version of the V-1 buzz bomb, which would be useful in threatening the Soviet elite with annihilation.

## **Weinberger versus Haig?**

*New York Times* analysts and other nominalists have already contrasted the hard-line tenor of the guidance to the softer policies of Secretary of State Haig. The reality is that Weinberger and Haig are two sides of the same policy—with Haig cast as a “soft cop,” playing off the “tough cop” Defense Department line. The game is obvious enough: to get the Soviets to grant concessions to the soft cop Haig, fearing the apparently more bellicose policies of Weinberger.

This comes across most clearly in the arms-control arena. The more insane Weinberger and company appear, the more likely the Soviets are to nibble at the proposals to control military technology offered by the State Department—or at least, this is the reasoning of British policy circles who back this game. President Reagan is useful only as a stage prop in this theatre. It is unclear whether he was even briefed on the guidance before he left for Europe.

Both Haig and Weinberger agree on the “crumbling Soviet empire” thesis against all countervailing reality. Both agree on the need to refocus NATO southward, and on the British doctrine of population warfare. While Supreme Allied Commander in Europe, Haig railed constantly on this theme. They have both dutifully supported British policy interests in the Malvinas crisis.

The United States is thus firmly locked in a doctrine that was once called “strategic bluff.” The Soviets are undoubtedly laughing at the latest developments. Their response will be to let the Western strategic posture deteriorate under Haig, Weinberger, et al., and they are likely to give signs of playing along with them. The question is not if, but when, the Soviets will call that bluff. There are no contingencies in the Weinberger guidance for what to do when that occurs.

# Bold steps demanded at AIAA

*Marsha Freeman and Robert Gallagher describe the American Institute of Aeronautics and Astronautics sessions on space and defense.*

Aerospace industry spokesmen, U.S. military personnel, and government officials met in Baltimore on May 25-27 to discuss the future of the United States' civilian space program and the military uses of space. This year's annual meeting of the American Institute of Aeronautics and Astronautics was particularly notable for the prevailing opinion that America is losing its leadership in technology through federal inaction, despite attempts by administration spokesmen to explain away the U.S. decline by the "Soviet technology theft" bugaboo.

Author James Michener, keynoting the conference, observed that though we "stand on a platform of unbelievable accomplishment" in the space program, we "see ourselves turning away from science, reverting to mythology and astrology." Michener stated that he is "worried that America is slipping into the status of an undeveloped country—we're supplying raw materials and other countries are applying the brainpower."

## **The conscience of the space program**

The strongest expressions of what is wrong with U.S. space and science policy was voiced by two previous NASA administrators, Dr. Robert Frosch and Dr. Tom Paine. The unusual combativeness of their speeches reflected the alarm over U.S. technology policy throughout the most advanced sector, aerospace.

Dr. Paine, who recently retired as the head of the Northrup Corporation, began by stating that those who try to perform a cost-benefit analysis of science programs "know the cost of everything but the value of nothing." The major point, he stated, "is the importance of science and technology to the strength of a nation. Those nations that use it survive, and those that don't, don't."

Addressing the paranoid military response to the declining lack of U.S. leadership in these fields, Paine stated that "we don't have to be so concerned about secrecy" and talk about censoring our technology. Our policy should be simply to "stay 10 years in front technologically in all science and technology."

"We need bolder programs," Paine asserted. "Today we are approaching a space program more appro-

priate for Luxembourg than the United States. . . . We have the technology for a space station, and it is a dreadful mistake to not move ahead with our planetary program. By the year 2000 we should have orbiters around every planet in the solar system and landers on every solid body," he insisted. "We should pay back our debt to Columbus partly by our movement into space."

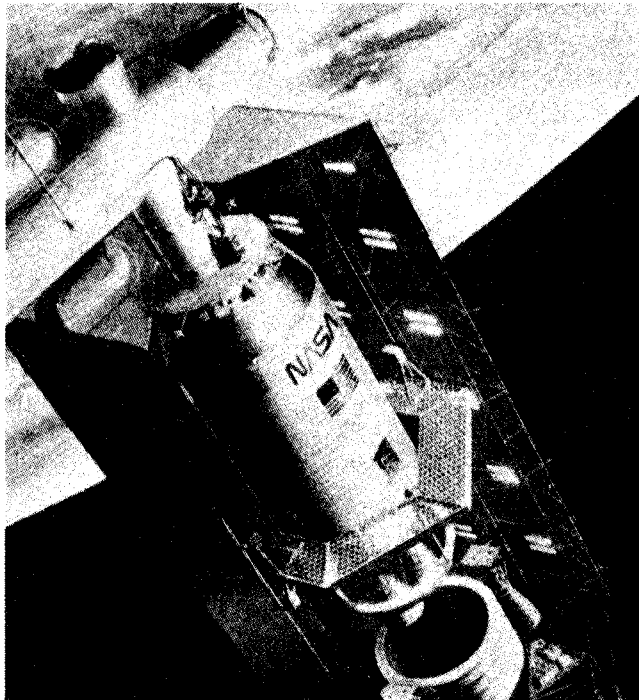
Dr. Frosch, NASA administrator under the Carter administration, expressed his frustration at the current situation. "The administration line now is the same as the last administration—the Office of Management and Budget has no belief in institutions. Some things must be done because they are public goods. The assumption is that if something isn't done in the market it isn't economical. But now short-term gain is driving out long-term gain. We are dealing with an ideological problem and need a voting opposition."

In response to a question about the cost of doing anything bold in space, Frosch stated that cost-benefit for science programs was "the incompetent pursuing the impossible" and termed any estimate of what a future space system or piece of hardware would cost "a lie."

The mentality under attack was given fullest reign in the presentation by Fred Khedouri, former legislative assistant to David Stockman, and currently director at the OMB for Natural Resources, Energy, and Science. Though the FY83 budget for NASA as submitted by the administration contained no new starts, gutted the nation's aerospace research and cut back key areas in planetary programs and technology utilization, the 31-year-old anti-nuclear environmentalist said that the NASA budget was in good shape—compared to other programs. "Someone has to say no," was his summary statement.

## **NASA's 'bold step'**

For the past few months, and in a March interview with *EIR*, NASA administrator James Beggs has stated that the next step in the space program would be a manned space station. Until now NASA has been unwilling to pin down a date for its operation, and



*Drawing of an Orbital Transfer Vehicle being serviced at a Space Operations Center.*

many hoped they would try to deploy a space station by 1992, the 500th anniversary of Columbus's discovery of America.

During a session at the conference on "The Course for Space Transportation," Dr. Ivan Bekey, who directs NASA's advanced programs office, announced that the space agency was planning to orbit a manned space station in low Earth orbit by 1990. By the year 2000 the plan would include another station at geosynchronous orbit, 22,300 miles above the Earth. This second station, which would be at the same altitude as U.S. communications satellites, would require the development of an auxiliary transport system to the Space Shuttle, such as an orbital transfer vehicle.

NASA has answered the challenge to plan for a "bold" step for the space program. When the Shuttle lands in California on July 4 President Reagan will be there to meet it. It is the perfect opportunity, as the Shuttle is declared operational, to take the kind of leadership needed and make the space station the goal for the next decade in space.

On the subject of Military R & D, retired U.S. Air Force Gen. Bernard Schriever took that kind of approach, attacking the Reagan administration Department of Defense May 26 for "not doing enough" to develop high-energy laser weapons for deployment in space as an anti-ballistic missile system. Schriever, who led the development of the intercontinental ballistic missile (ICBM) in the 1950s, emphasized that space-

based laser weapons would be "a breakthrough in military technology of the magnitude of nuclear weapons."

The general stated that "we urgently need a national policy decision" on development of these weapons. He called for the formation of a blue-ribbon panel of scientists to determine their feasibility, and the establishment of a "Manhattan Project"-scale effort to develop the weapons if the panel confirms their feasibility. "We have the people to do this job," said Schriever. "This is so important to our future that we ought to just get on with it."

As *EIR* has emphasized, laser weapons placed in orbit as part of an anti-ballistic missile system could disarm or destroy ballistic missiles on the boost phase of their trajectory. Space-based lasers are one type of beam weapon that if deployed would constitute defense against nuclear attack and transform military doctrine and strategy in the West.

General Schriever, an aeronautical engineer, was virtually alone in advocating ICBM development in the early 1950s. As a colonel in Air Force RD&A, he commissioned a study from John von Neumann on H-bomb weights and yields that he knew would confirm the feasibility of an ICBM system. Following this, Air Force Special Assistant for R&D Trevor Gardner established the "Teapot Committee" headed by von Neumann that concluded that rapid ICBM development was practical. Schriever then led the Ballistic Missile Division in development of the Thor, Titan, and Atlas missiles that have been essential not only to defense but also the civilian space program.

The proponents of a Manhattan Project for space-based laser weapons are primarily retired military officers like Schriever, as well as Lyndon LaRouche's political action committee, the National Democratic Policy Committee, and several U.S. Senators and Representatives. LaRouche has recently issued an NDPC Discussion Memorandum on military policy titled "Only Beam Weapons Could Bring to an End the Kissingerian Age of Mutual Thermonuclear Terror," which calls for such a program. The U.S. Senate voted unanimously April 29 to commit the United States to deployment of a prototype laser-weapon system in space by 1990-92.

Schriever's view, however, represented the minority outlook at the conference, which was dominated by administration and Air Force opposition to accelerated development of space-based and strategic defense technology, such as space-based lasers. Speaking about the Air Force space program, Maj.-Gen. Jasper Welch, Assistant Deputy Chief of Staff for Research, Development and Acquisition, asserted, "The bottom line of all this is that we must pay very careful attention to the costs of our space operations. . . . It is important that



the risks and uncertainties [in development of space-based lasers] be identified and resolved before making a national commitment.”

Welch and his colleagues are victims of the accountant's mentality that has dominated military thinking since the tyranny of Robert McNamara and the Rand Corporation at the DOD in the 1960s. Under the sway of the doctrine of deterrence, that the role of our military forces is to prevent nuclear conflict by maintaining a secure retaliatory nuclear arsenal, officers like Welch have abandoned the historic role of the military as nation-builders who recognize that development of the most advanced science and technology is, in the words of General Schriever, “the first line of our defense.”

McNamara and Rand imposed on DOD the absurd notion that the ultimate criterion for development of weapons systems was their “cost-effectiveness.” As USAF Col. Earl Van Inwegen, Deputy Director for Space on the Air Force Staff, told *Aviation Week*, funding the space program is difficult because “you don't drop bombs from space, and that's the bottom line in the Defense Department.”

This is the origin of the Air Force rationalizations for the state of the U.S. beam-weapon program, although it is agreed that the Soviets are about to deploy a space-based laser in the next few years. USAF Lt.-Gen. Kelly Burke, who is Deputy Chief of Staff for RD&A and Welch's boss, told reporters at a late May luncheon meeting that the expected Soviet deployment will have “marginal” effectiveness, and that “such a weapon would have much greater political than military value.” The Air Force, on the other hand, plans to not even make a decision on development of a deployable space-based laser weapon prototype until 1987, as Welch confirmed at the conference.

Secretary of Defense Caspar W. Weinberger attributed the erosion of the “U.S. lead in basic military technology” to the literal “theft” of technology from the West by the Soviet Union, at the AIAA annual awards dinner which closed the conference. Weinberger called upon industry representatives to “protect the information gained in the development” of new technologies, such as high speed integrated circuits, by applying “appropriate security measures” and “sharply reducing public discussions” of the technology. Industry representatives, though propitiatory of those holding the budget purse strings, were slow to swallow this line whole hog. In introducing Weinberger, AIAA General Chairman John McLucas described the just-concluded conference as dominated by “an uncasiness over the erosion of the U.S. lead in advanced technology.”

In the corridors, representatives of such firms as Lockheed, Martin-Marietta Aerospace, Rockwell Inter-

national, and other firms that developed the Space Shuttle, summed up the conference as confirmation that the United States was accepting strategic inferiority.

Robert Cooper, director of the Defense Advanced Research Projects Agency (DARPA), asserted at the first conference plenary session that his agency was producing a “quiet revolution in national-security technology.” To make sure that no one misunderstood him, Cooper added that he was “not referring to space-based lasers or X-ray weapons” (another type of anti-ballistic missile beam weapon) but to the development of computerized “stand-off” weapons with conventional warheads that could be fired at great distances but hone in on a target with infallible precision. These weapons, such as DARPA's “advanced cruise missile” now under development, are the Air Force's conventional alternative to truly advanced weaponry. Responding to questions later, Cooper admitted that the guidance system of the current generation of cruise missiles still does not function properly and that the missiles in tests continue to crash in mountainous terrain which their guidance systems were designed to follow.

Secretary of Defense Weinberger, who is among those sabotaging space-based beam weaponry, whined that the Soviets lead the United States in development of “directed energy weapons such as high-powered lasers” because they save money in other fields by “stealing” Western technologies. Weinberger, in refusing to promote beam-weapon programs, is ensuring that the situation will only worsen. Before the McNamara days, the United States could always afford to export technology—because America was so far ahead in R&D.

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## How the NDPC won 20% of the vote in the Pennsylvania primary

*Steve Douglas, candidate for governor in the Pennsylvania Democratic primary, was interviewed by EIR two days after an election in which, as reported by the Philadelphia Inquirer, Douglas "posed a strong challenge to Rep. Ertel," the party leadership-backed candidate. Douglas ran with the endorsement of Democratic Party national figure Lyndon LaRouche. Excerpts of EIR's interview with Douglas follow.*

**EIR:** Your vote on May 18 is probably the most significant vote that a candidate backed by the National Democratic Policy Committee has received so far. How did your campaign achieve this?

**Douglas:** The 35 percent vote I won in Philadelphia and the 20 percent of the vote I received statewide was a vote that was generated as a result of the grass-roots organizing effort of thousands of people who were going door to door in their neighborhoods, at their places of employment, at their local clubs, getting out upwards of a half million pieces of campaign literature. All this literature addressed the fundamental question of how to reindustrialize Pennsylvania, how to restore the state as one of the country's industrial powers. The NDPC chapter chairmen in the state played a crucial role. The platform was focused on issues bearing on the economy—how to bring down interest rates, rebuild the railroads, build infrastructural projects, like the interconnecting waterway from Pittsburgh to Lake Erie, and the Tocks Island dam on the Delaware River—and on the issues of drugs and education. This was the key to the vote.

The other factor was that I was the only candidate putting forward a definite program, the concrete steps by which the state's economy could be rebuilt. The campaign took place in a policy vacuum.

**EIR:** You also went on television on the weekend before the election with Lyndon LaRouche, isn't that correct?

**Douglas:** Yes, in the eastern part of the state, and on that half-hour spot, I spoke for ten minutes on the issues I just mentioned, and Mr. LaRouche addressed the vital strategic issues which confront not only the citizens of Pennsylvania, but every other American citizen. He

spoke in particular on the Malvinas Islands crisis and the Tory takeover of the United States in Washington through the auspices of traitors such as Alexander Haig. The combined effect of the organizing around policies to rebuild the state and Mr. LaRouche's addressing the broader issues of the current crisis—including something that is on everyone's mind, the fear of war—had an enormous impact on the population of the Greater Philadelphia area, and that, I think, was reflected in the voting on Tuesday.

**EIR:** In Philadelphia, you took 18 out of 66 wards. What exactly was the constituency of those wards, and what would you say that reflects politically?

**Douglas:** The composition of those wards is exactly the composition of the machine that the late William Green, Sr., ran in the city. That is not the current Mayor Bill Green, but his father, and the mayor certainly does not do justice to the great work in the Democratic Party his father did. But these wards reflect exactly the composition of the machine that Bill Green Sr. put together, which was otherwise the hallmark of the Daley machine out in Chicago, or in broader terms, the machine that FDR put together as the backbone of the Democratic Party. The 18 wards that I did carry in Philadelphia were split nearly evenly between white and black blue-collar constituents, and several of the wards had significant Hispanic communities that turned out in sizable numbers. This gives the lie to the claims that many people are trying to make in an effort to destroy the Democratic Party that voting is strictly along racial lines. The older Green's machine was a black and white ethnic alliance based upon continuous economic development. And that's what we have.

Another theme I developed in the campaign which certainly struck a chord in these communities was my attack on the Wharton School plan to turn Philadelphia into a so-called international city, a service-sector city, in which industry, manufacturing, and so on would be dismantled and be replaced by luxury hotels, office buildings, pleasure palaces, condominiums, and real estate speculation. The once great industrial centers of Phila-

delphia and Pittsburgh are on their way to becoming the Sodom and Gomorrah of Pennsylvania, under the guidance of the Wharton School and their so-called post-industrial society orientation. And that is the outlook espoused by political front-men like Mayor Bill Green.

**EIR:** Green Jr. is something like Mayor Jane Byrne of Chicago. What do you think his chances are when he comes up for re-election next year?

**Douglas:** That is very hard to say at this point. Two of the major candidates backed by former Mayor Frank Rizzo in this election appear to have been defeated, although Representative Smith is contesting his election. The press is saying this means a waning of Rizzo's popularity and fortunes, and he, of course, is rumored to be planning to announce his candidacy for Mayor.

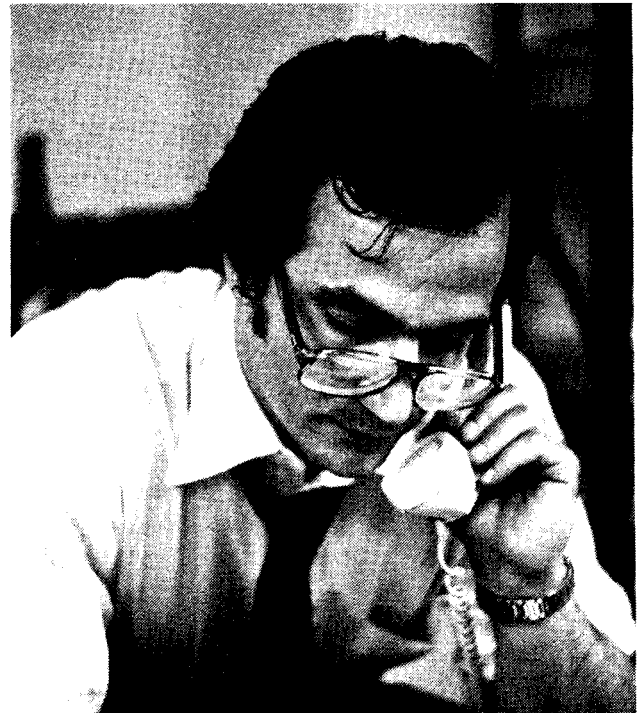
What this means for Bill Green remains to be seen. But certainly the message delivered in the primary was that people are looking for institutions, new faces, and policies through which they can realize their aspirations for progress, for education, and for ridding their communities of the drug plague.

**EIR:** It is unusual for a gubernatorial candidate to be addressing issues of foreign policy, such as the Malvinas crisis, or national issues, such as Volcker's interest rates.

**Douglas:** In my campaign, I stated that the governor of the Commonwealth is responsible to direct himself to any and all problems that affect the well-being of the citizens of the Commonwealth, and that is the way I ran my campaign. The Malvinas question and the Tory takeover of America are every bit as real a threat to the people of Pennsylvania as the problems that are generated from within the Commonwealth itself. Any candidate or holder of public office that is not directing himself to all these issues is simply acting irresponsibly at best.

**EIR:** What do you think the vote for you in an industrial state like Pennsylvania implies for the AFL-CIO, whose president Lane Kirkland has basically been running a protection racket for Paul Volcker?

**Douglas:** This is a resounding rejection of the post-industrial policies Kirkland is promoting, and is a resounding rejection of Kirkland's fronting for the high-interest-rate policies of Volcker. In my campaign I made it a point to inform people that it is Volcker's high-interest-rate policy that is responsible for the collapse of the state's capital-goods industry. With all the lifeblood Volcker has sucked out of the Pennsylvania economy, he has established himself as the biggest bloodsucker since Dracula, and furthermore, since Governor Thornburgh has donated this lifeblood so willingly to Paul Volcker, one would have to wonder if he thinks he is the governor of Pennsylvania or of Transylvania. This was a polemic that struck home to many people.



*Steven Douglas*

NSIPS

The vote indicated that what blue-collar workers, small businessmen, farmers, and ethnic and minority groups want to do is to build, build, build. They want to rebuild the economy, they want to leave a developing economy for their children and grandchildren.

Volcker has turned the steel-producing valley of Western Pennsylvania into a death valley. It looks like what parts of Central Europe must have looked like after World War II. Unemployment among steel workers is running three times the rate of national unemployment, and there are numerous companies that closed their doors just in the course of the campaign.

People realize that the stop-gap measures that have been proposed by various politicians are not answers. Nor are plant buyouts the answer, where people take wage cuts and give up their pensions in order to buy the plants. As many people recognize, that is the same ploy Mussolini and Hitler used to loot labor and destroy the economies of Germany and Italy during the 1930s. Many of these people who are being thrown out of work right now are the ones who put their lives on the line fighting fascism in World War II, and do not want to see fascist economic measures introduced here in the name of saving jobs, and they don't even do that.

**EIR:** Did you run up against people who were absolutely opposed to what you had to say?

**Douglas:** No. Most people were very much in support. Occasionally you would run into a drug freak or two, and, I am pleased to say, they would be upset about my

war on drugs campaign. Occasionally I would run into a fruitcake from the Jerry Brown wing of the Democratic Party. Just as med flies descended on California, some of the Jerry Brown fruit brigade have unfortunately spread.

**EIR:** Then you would say that the institutional issue—the willingness and courage of people to build new institutions—is decisive, especially since you weren't endorsed by Charles Manatt or Bill Green or the other honchos of the current Democratic Party leadership.

**Douglas:** That is correct. And let me emphasize that I did not seek their endorsement. I had been in favor of an open primary. At the Feb. 22 state committee meeting, where the issue of endorsement was taken up, I argued for an open primary. I felt that an open primary would be the best way to begin rebuilding a grass-roots force that could ensure that Dick Thornburgh, the Carter-Volcker Republican, would not be returned to office in the general election in November.

Congressman Ertel had the Democratic leadership's endorsement as of Feb. 27. I hoped that by conducting my campaign as if it had been an open primary, he would be encouraged to do likewise. And I was encouraging Ertel to adopt all the points of my platform, just as I would like nothing better than to see Ertel pick up points of that platform now and defeat Thornburgh.

Besides, we must do something now about the economy, before the general election. We cannot wait until January.

**EIR:** Speaking as a past NDPC coordinator for Pennsylvania and Ohio, what will be the impact of your campaign on the NDPC and the movement being built in this country around Lyndon LaRouche's leadership?

**Douglas:** I think it will have an enormous positive impact which will result in the rapid acceleration of the growth of the NDPC, not only in the states of Pennsylvania and Ohio, but across the country.

Many people in the state, and I know from their having congratulated me already, are very pleased with the vote results, because they demonstrate that there is a significant and rapidly growing constituency in this country for industrial and scientific progress and excellence in education. This need only be tapped by Democratic Party candidates and we can rebuild the party to make it the institution that can ensure the country recommits itself to progress.

This campaign also strengthened another institution, and that is the trade unions in the state—the building trades and steelworkers especially—that want to defend the state against austerity, and which have been historically the motor for progress. Aside from the NDPC—when people see how large the constituency support is for LaRouche's program to reverse the depression, the other vital institution that has been strengthened is the good, pro-growth trade unions.

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## Haig pushes Britain's 'integrated structure'

Although President Reagan's advisers successfully convinced him to travel through a European shooting gallery to attend the Versailles summit meetings, the chief policy designer for that trip, Secretary of State Alexander Haig, seemed unable to coherently describe what he expects the President to achieve in Europe other than surrendering this nation's sovereignty over strategic and economic policy.

At a June 1 White House press briefing on the trip, Haig described it as "all part of an integrated structure—economic, political, and security-related in the Atlantic Community of nations, including Japan." Haig and Treasury Secretary Donald Regan then outlined the various schemes for increasing IMF/NATO control over policy which they and their collaborators in Britain and the European Socialist International intend to impose on Reagan, the United States, and continental Europe.

After Haig announced that he

would revive his failed attempts to place Europe's trade and credit policies under NATO control, I asked, "Will you push so far that you leave relations with continental Europe in a shambles the way you have relations with Latin America?"

Haig flushed red and forced himself to chuckle, slurring out the words, "I believe you're making an observation, a judgment. Perhaps I'm not clear on the comparison you're making."

I replied, "Your mentor, Henry Kissinger, has said that the special relationship with Britain is so important that it should take precedence over our other relations, including those with continental Europe. You yourself have echoed this view in criticizing a patriotic American President, Eisenhower, for his actions in the Suez crisis where he acted against Britain's violation of international law."

At this point Haig objected, as I knew he would. Although Haig's career in national politics was nurtured by Henry Kissinger during his two terms as acting President, and although his "geopolitical" approach to policy is almost identical to Kissinger's, he resents being called Kissinger's protégé because he apparently believes that as a descendent of Anglo-Saxon nobility, he is racially superior to Dr. Kissinger.

"Mentor?" Haig asked. "I'm not sure I would agree with that." Finally he decided to attempt to answer my question. "To address the first part, the substantive part of your question," he began, "'Will we push to the bulkhead on these [trade and credit] questions?' There are several aspects. . . . One is a question of prudent economics of the problem . . . Europe has a tremendous over-exposure in this area [of East bloc lending]. . . . Our experience is, this is not going to

redound to the benefit of Europe. . . . It is the responsibility of the United States to state its views clearly on this subject."

## Is Palme calmer?

Later that afternoon, I attended a press conference held by three of Haig's Socialist International allies: Cyrus Vance of the Council on Foreign Relations, David Owen of Her Majesty's Labour Party; and Olof Palme, the leader of the Swedish branch of the Socialist International.

Vance, announcing the release of a report titled *Common Security, A Blueprint for Survival* by the Independent Commission on Disarmament and Security Issues, known as the Palme Commission, expressed his appreciation for Reagan's recent "initiatives" on arms control, which he said converge on the policies of the commission (see National News). The latter, he said, had been cleared through "sections of the Soviet government" by Georgi Arbatov, the Soviet representative to the commission.

In summary, the commission recommended reducing the military strength of nations while beefing up the "peace-keeping" forces at the disposal of the United Nations Security Council.

When I challenged Palme on his refusal to debate Kerstin Tegin-Gaddy, chairman of the European Labor Party in Sweden, whom he had accused of being a fascist on Swedish national television, in light of his own adherence to Adolf Hitler's economic policies (see *EIR*, May 25), all Palme could think to say was, "I was not aware [you were] part of this thing, the European Labor Party," and stand silently with a maniacal grin on his face.

## NATO conventional restructuring pushed in House

In the wake of the May 13 Senate passage of an amendment calling for NATO industrial and defense integration, a number of parallel proposals have begun in the House. Their underlying premise is that such integration is necessary to make a NATO conventional buildup cost-effective. Representatives William Broomfield (R-Mich.) and William Whitehurst (R-Va.) have introduced two separate resolutions which would put the House on record as supporting the rationalization, standardization, and inter-operationability of Western European and North American weapons systems. The Whitehurst resolution, House Concurrent Resolution 335, a direct companion to the Senate amendment (authored by Trilateral Commission member William Roth), calls on the President to propose at the NATO summit June 6 that the Allies "begin in earnest to pool their vast financial, technological, and human resources to provide for our common defense at acceptable costs."

On May 26, Broomfield, the ranking Republican on the House Foreign Affairs Committee, introduced another resolution, which mirrors the Roth-Whitehurst approach, but puts greater emphasis on the integration of conventional forces. The Broomfield resolution states: "be it resolved that . . . the NATO allies of the U.S. join the United States in agreeing to enhance their defense efforts and resources to improve, at acceptable costs, collective conventional

forces for the defense of the North Atlantic area. . . ."

## House Committee defends national labs

The House Science and Technology Subcommittees on Energy Development and Applications and Energy Research and Production held hearings June 2 to investigate the "Impacts of Budget Uncertainty on the DOE National Laboratories." Rep. Marilyn Bouquard (D-Tenn.) charged that our "national laboratories as a resource are being threatened . . . these hearings are pointing up a national disaster." Our labs are "managed by men and women of excellence," Bouquard added, and "we are telling our young people that we need scientists, [yet] the example we are setting by turning our back on them at this time is a disaster."

Energy Department laboratory managers from around the country who appeared at the hearings presented an alarming picture of loss of laboratory personnel due to budget cuts.

Questioned by committee members, Acting Deputy Undersecretary of DOE Jan Mares testified that there was verbal guidance from DOE to laboratory managers to "take action based on what is prudent to believe will take place" on their final budgets, but admitted that DOE based its expectations on the administration's FY 83 budget request submitted in February 1982 of \$4.25 billion. Under questioning from Bouquard, however, Mares further admitted that President Reagan had also endorsed the Senate-passed budget

which allocated \$5.3 billion for these programs. "We're talking about a billion dollars in difference here," Bouquard said. "Don't you think the Congress should act first before the labs have to take premature and disruptive steps?"

Bouquard also confronted the nervous Mares with a DOE-produced chart, showing that 1983 personnel levels will be reduced compared to 1982, and an "Operations Office Staffing Study" undertaken by DOE. "You made the decision to reduce our national laboratory personnel and then you did the study *afterward* to see what the impact would be," Bouquard charged, "didn't you?" Mares admitted that the assessment study was still not completed.

Herman Postma, Director of Oak Ridge National Laboratory, pointed up the need for "research and development programs that have importance, breadth, depth, and stability."

## Prosecutors slam Abscam betrayal of law enforcement

The House Judiciary Subcommittee on Civil and Constitutional Rights continued its hearings on the FBI undercover operations known as Abscam June 2, taking testimony from two witnesses, Robert A. Weir, Assistant U.S. Attorney for New Jersey, and Edward Plaza, former Chief Assistant U.S. Attorney for New Jersey, who had been involved in prosecuting Abscam and who had complained to superiors.

Plaza charged that "Abscam represents the selective use of technology to create the illusion of

criminality. It is and was tantamount to prosecuting the actors in a play for following the script.

"I emphasize that I am not speaking of entrapment, a violation of separation of powers or any legal technical defense. I am saying that Abscam is a perversion of truth."

The "rules [of law enforcement] were totally different" in Abscam compared to any other prosecution, Plaza said, adding that he would not have complained about the conduct of the case if he had "felt a true picture was being presented to the courts." Plaza cited numerous examples of misrepresentations including a [former U.S. Deputy Attorney General Irving] Nathan memorandum which "in and of itself is a deception of the courts." Plaza also cited the "creation of 302s [FBI internal reports]" and "302s that had incidents, which, when we got the transcripts, did not take place." "A handful of men involved in the prosecutions not only violated their oaths, but betrayed their colleagues in law enforcement as well," he said.

Robert Weir, who unlike Plaza is still employed in the U.S. Attorney's office, received clearance only on June 1 from the Department of Justice to testify and was instructed by the DOJ to constrain his testimony to factual material. Weir outlined "many exchanges" that he had had with Nathan, where Nathan "would suggest that someone be prosecuted and I would say the facts don't warrant this." Weir concluded that "there is a strong possibility that the [prosecutorial] procedures were elimi-

nated in this case so that it is questionable whether we are simply watching the creation of crime."

### **Senate Committee passes anti-immigrant bill**

By a vote of 16 to 1 May 28, the Senate Judiciary Committee passed the bill introduced by Sen. Alan Simpson (R-Wyo.) and Walter Huddleston (D-Ky.) to restrict the admission of immigrants into the United States. Sen. Edward Kennedy (D-Mass.) cast the only opposing vote.

Prior to the committee vote Kennedy had the bill softened slightly by extending its amnesty provisions for illegal aliens already in the United States up to Jan. 31, 1982, from the original Jan. 31, 1980. However, the bill's provisions for regulating the entire U.S. workforce with Nazi-type workcards within three years and for fines and criminal penalties against employers who hire undocumented immigrants remained intact.

The Simpson-Huddleston bill was drawn up by associates of United Brands (formerly United Fruit) agronomist and Zero Population Growth co-founder William Paddock, whose Paddock Plan to reduce the population of Mexico by half proposed "sealing the border and watching [30 million Mexicans] scream." The bill is also supported by the Lane Kirkland leadership of the AFL-CIO.

The Mexican delegation to the U.S.-Mexican Intraparliamentary meeting in Santa Barbara, California on May 29-30, which included leaders of both houses of the Mexican Congress, called the bill very

harmful to U.S.-Mexican relations.

### **UAW may scrap 'domestic content' bill**

United Auto Workers (UAW) President Douglas Fraser stunned attendees of House Foreign Relations subcommittee hearings June 2 when he said the UAW was prepared to abandon the "domestic content auto bill" if Japanese auto firms would commit themselves to build manufacturing facilities in the United States.

Under prodding from the UAW, 208 Congressmen agreed to co-sponsor Richard Ottinger's (D-N.Y.) H.R.5133. Under the bill, by model year 1985 and thereafter, foreign makers selling 100,000 to 150,000 units would have to include American-made parts at a minimum of 25 percent of the car's value; 150,000-200,000 units would require 50 percent local content; 200,000-500,000, 75 percent; and more than 500,000, 90 percent. The administration opposes the bill.

Fraser told hearings sponsored by Stephen Solarz (D-N.Y.) that Japanese firms such as Toyota and Nissan had been conducting talks on setting up U.S. manufacturing facilities, but nothing concrete had been decided. He said that if the Japanese made a firm commitment, the UAW would be happy to abandon the bill.

A Washington lawyer who represents Japanese companies told *EIR* that one reason for Fraser's sudden change is that many auto analysts believe the local content bill constitutes a disincentive for the Japanese to set up full manufacturing facilities.

# National News

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## Wertz campaign challenges Brown

U.S. Democratic Senatorial candidate William Wertz concluded his campaign as the leading challenger to Gov. Jerry Brown in their June 8 primary contest. West Coast newspapers noted that Wertz continued a strong fundraising effort in May while several other candidates dropped out of the race. Only Brown and Gore Vidal, who loaned his own campaign \$83,000, raised more money than Wertz during the April/May reporting period; Wertz raised over \$200,000 during his entire campaign from a broad strata of the population.

In a joint press conference with Hispanic leaders at the Los Angeles press club on June 2, former Police Commissioner Salvatore Montenegro, New York Democratic congressional candidate Fernando Oliver, and two Argentine-American spokesmen endorsed Wertz's candidacy.

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## Moynihan facing 'fight of his life'

Frank Church, the liberal Idaho Senator defeated for re-election in 1980 has signed a letter being circulated to both Democrats and Republicans in New York State in an attempt to defend anglophile New York Sen. Daniel Patrick Moynihan from the campaign of National Democratic Policy Committee-backed Mel Klenetsky.

The letter attempts to paint Klenetsky's pro-industry, pro-nuclear, and anti-drug program—the same program that won NDPC gubernatorial candidate Steven Douglas 20 percent statewide in the May Pennsylvania primary—as “extreme right-wing,” and heavily funded by groups that have no association with Klenetsky or the NDPC.

The letter reads, in part:

“[Opponents] plan to spend more than \$5 million to replace [Moynihan]

with a new right candidate. . . . And now, the right-wing is promoting Melvin Klenetsky. . . . Pat Moynihan is . . . taking Klenetsky, the Moral Majority, NCPAC, and other right-wing groups head-on.

“Pat Moynihan is, at the moment, ahead in the polls. Other Senators targeted by the new right were also ahead in the polls . . . but lost. . . . Pat Moynihan will face the fight of his life in 1982. . . .”

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## U.S.-Soviet science agreements expire

Three of the series of agreements for scientific cooperation between the United States and the Soviet Union that were signed 10 years ago by President Nixon and Premier Brezhnev expire this year, and no effort is being made by the United States to renew them. The assertion by Caspar Weinberger at the AIAA (see page 33) that the Soviets are leading the United States in some technology fields because they are stealing U.S. “secrets” was the apparent basis for President Reagan to allow the agreements to lapse as part of sanctions over Poland. The cooperative agreement between the Soviet Academy of Science and the National Aeronautics and Space Administration expired May 24; energy agreements expire on June 28; and the overall Science and Technology protocol on July 7.

However, the State Department is hard-pressed to make a case for its assertion that it is the Soviets who will suffer from the expirations. Currently, the Soviets hold the record for long-duration manned space flight, with the six-months orbit of the Salyut space station last year. The longest U.S. flight was 84 days aboard Skylab in 1974.

NASA officials observe that the Soviets have stated many times recently that they are preparing for a manned mission to Mars in the next decade; they are continuing their human space biology and extensive animal space biology programs. The Soviets are also leading the United States in exploration of Venus, and will be sending a mission to intercept

Halley's comet. The United States has no equivalent programs.

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## Administration scraps anti-scanner laws

The Reagan administration has decided to drop Carter administration regulations which prevented hospitals from buying CT scanners, a very advanced type of X-ray machine which allows physicians to take a look at a cross section inside the body.

The scanners, which can cost as much as \$1 million each, have been maligned as a symbol of the twin evils of technological progress and artificial interference in the patient's “right to a natural death.” Accordingly, in 1978, the depopulation lobby led by Sen. Edward Kennedy (D-Mass.) had regulations passed “to avoid the uncontrolled expansion of costly and perhaps unnecessary medical technology.”

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## Palme Commission asks technology ban

Speaking on behalf of the Independent Commission on Disarmament, or Palme Commission as it is more commonly known, former Secretary of State Cyrus Vance, former Swedish Prime Minister Olof Palme, and former British Foreign Minister David Owen presented the group's proposals for world disarmament at a June 1 Washington, D.C. press conference.

The Palme Commission wants to stop technological progress in the advanced sector under the guise of “halting the arms race.” The proposals include:

- 1) A comprehensive ban on all nuclear tests;
- 2) Stop the “militarization of space, especially the development of anti-satellite systems . . . before irreversible technological progress has been made”;
- 3) Extension of the nuclear non-proliferation treaty to countries which have



not yet accepted it;

4) "International control of sensitive parts of the nuclear fuel cycle;"

5) A ban on the placement of battlefield nuclear weapons within 150 miles of the NATO-Warsaw Pact front.

6) Mutual surveillance of technological development should be allowed by each superpower, so as to give the other 7 to 15 years warning of any technological progress it is making in weaponry.

7) "Strengthen the U.N. Security Council, including a concordat between the permanent members of the Security Council not to veto collective action on border disputes . . . U.N. peace-keeping forces should also be strengthened." The achievement of such a concordat is seen as a step in transforming the U.N. into the basis for a world government.

## Conservatives call for U.S. to stop supporting Britain

Senator Jesse Helms (R-S.C.) led a group of political conservatives and close associates of President Reagan on May 27 in calls for an end to U.S. support for Britain in the Malvinas War, and for the United States to step in and ensure that a settlement be negotiated.

Senator Helms spoke from the Senate floor: "The tragedy now taking place in the South Atlantic is not in the interests of the United States, the Western Hemisphere, the NATO alliance or Great Britain. It is not in the interest of the hundreds of young lives, both British and Argentine, that have been lost because the United States did not insist that our two friends and allies back up and cool off. . . . Instead, by following Secretary Haig's flawed advice that the United States 'tilt' toward the British, war broke out. . . ."

"The purpose of Secretary Haig's 'tilt' was supposedly to put pressure on Argentina to come to a negotiated settlement. But the Secretary miscalculated the depth of the Argentine people's feeling, and their commitment to the restoration of their territorial integrity. I would like to think that he also miscalculated the British intent to use massive

military force to obtain their objective. . . . I call upon President Reagan to abandon the tilt toward Britain

Nevada Sen. Paul Laxalt, a close friend of Reagan, also urged the President June 1 to step in.

"I think every effort should be made within the next few hours to avoid a bloodbath that could be in the next 48 to 72 hours," Laxalt is quoted as saying by the *Nevada State Journal*. "[Latin America] has expressed a desire to do business with us and we had a foundation in place for the future. It is going to be tough to restore our relations with them. . . ."

Columnist Patrick Buchanan, a former Nixon speechwriter, has expressed a similar demand that the United States move towards neutrality. Buchanan had been very pro-British in the early phase of the crisis.

## Erlenborn introduces bill to stop infanticide

Congressman John Erlenborn (R-Ill.) introduced H.R. 6492, the "Handicapped Infants Protection Act of 1982," on May 26. The bill, initially co-signed by nine other Congressmen, is a response to a widely publicized case of court-sanctioned infanticide in Bloomington, Indiana referred to as the "Baby Doe" case. The parents of an infant boy born handicapped arranged for him to starve to death, even though other couples fought to adopt the child. Physicians diagnosed the baby as suffering from Down's Syndrome, which can cause mild to severe retardation. The newborn also had a physical handicap which blocked oral feeding. The Indiana Supreme Court ruled that only the parents could make the life-or-death decision.

Response from several congressional offices indicated that Congressmen responded not to constituency pressure but to "personal shock" that infanticide could actually be condoned by a court of law in the United States, a shock that brought together Democrats and Republicans, liberals and conservatives.

## Briefly

● **DAVID STOCKMAN**, head of the Office of Management and the Budget, was overheard in a Washington, D.C. restaurant declaring that "the administration is collapsing. No one talks to anyone else any more. No budget may ever be passed. We may have to go after military pensions next. . . ."

● **GORE VIDAL**, pornography author and candidate for the Democratic nomination for Senator from California, has been exposed as a "submarine" on behalf of Jerry Brown's campaign. Governor Brown reported to the Federal Elections Commission that he had received a \$1,000 contribution from the same Norman Leer who orchestrated Vidal's campaign.

● **MUFFY BRANDON'S** influence in the White House seems to be outstripping the limitations of her official capacity as social secretary to the First Lady since the anglophile coup in the Malvinas crisis. Brandon's husband, Nicholas, is Washington correspondent for the London *Times*.

● **DANTE ALIGHIERI** Day has been set for June 9 in Philadelphia. Muriel Mirak of Italy's *Accademia Umanistica* and *EIR* Editor Nora Hamerman were honored at June 4 City Council ceremonies commemorating the poet's influence on America. They will be among the speakers at a June 11-12 symposium in Philadelphia on "Dante and the Coming Renaissance in American Education," sponsored by the Lafayette Foundation, which originally proposed "Dante Day."

● **ZBIGNIEW BRZEZINSKI**, Jimmy Carter's National Security Adviser, was observed on a recent flight to Europe tearing up the May 25 issue of the *EIR* with Gen. Douglas MacArthur on the cover, which featured an exposé of NATO plans for depopulation wars.

# The American responsibility

Following the attempted assassination of Schlomo Argov, Israel's Ambassador to Great Britain, on June 3, *EIR* founder Lyndon H. LaRouche, Jr. announced that he had sent a message to Israeli Prime Minister Begin to the effect that the clear intent behind this terrorist attack in London is to trigger a massive military operation against Lebanon, and only the placing of superpower troops along the Lebanese borders might provide Begin with the political means to hold back the warhawk faction led by Defense Minister Sharon.

In that release, titled "Reagan Must Offer U.S. Troops to Secure Lebanese Borders," Mr. LaRouche specifies the need for leadership from what has been a fantasy-ridden Reagan administration. We quote from the concluding section:

"The key to avoiding thermonuclear war during the months ahead is the simple fact that there are only two superpowers in the world, and that no additional superpowers are possible. If minor powers, such as the shattered military forces of Britain or the more credible forces of France attempt to substitute themselves for the United States or to subordinate the United States to a Britain-France-U.S.A. multilateral force, the sheer insanity of British-French insolence in such a fashion makes thermonuclear war almost certain during the months ahead. . . .

"The major problem with Moscow, apart from the strains of the present succession-process in the Soviet leadership, is the dishonesty of Moscow on the matter of the alleged arms-race. Moscow has established a margin of strategic superiority to NATO forces. The British fleet losses—between one-third and one-half of its task force—in war against a sparsely-populated nation of South America, affords us an accurate appreciation of the near-worthlessness of British military forces after the first 15 seconds of an actual superpower engagement. What Moscow has not yet established is a sufficient margin of military superiority to make war with NATO forces acceptable to the Soviet Union. Meanwhile, however, especially beginning with the Carter administration, the military possibilities of the NATO forces have been collapsing, relative-

ly speaking, at a currently accelerating rate."

LaRouche describes how, following James Schlesinger's announcement of a limited nuclear war doctrine (NATO MC 14/4) in 1974-75, Moscow has seen NATO as on a countdown toward general thermonuclear war, and has dedicated itself to building a decisive war-fighting margin of superiority. Its attitude was then hardened by Henry Kissinger's success in prompting the Carter administration to force "Euromissiles" on West Germany, shortening the launch-to-target time for a thermonuclear strike, in an attempt to compensate for U.S.-NATO military weakness by a show of nuclear aggressiveness.

This, LaRouche says, is why Moscow is pouring a billion rubles into Gen. Maxwell Taylor's "nuclear freeze" movement, with full knowledge that the movement is run from the top by NATO's Joseph Luns and that the "environmentalists" who overlap the nuclear-freezers are coordinated by the same Anglo-European oligarchic families who underwrote Adolf Hitler. LaRouche writes that Moscow's reasoning is: "If NATO is attempting to destroy the economic and military capabilities of the West from within, Moscow will surely support NATO's Joseph Luns and the Nazis in this particular venture. . . ."

The news release concludes: "Moscow's notion that it is being clever in such matters is the essence of Moscow's stupidity in these matters. Although Moscow is capable of responding favorably to competent war-avoidance initiatives from the government of the United States, *only the government of the United States is capable of generating and proposing effective war-avoidance policies* [emphasis added]. It is my information and belief that Moscow will intervene in the deteriorating Middle East situation, with an overall intent to establish stability in that region. However, it is almost certain that Moscow's interventions will avoid doing anything Moscow might view as to the advantage of the United States. Therefore, President Reagan must dump Haig immediately and act immediately to deploy U.S. forces unilaterally for stability operations ensuring the integrity of Lebanon and Iraq."

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