

# EIR

Executive Intelligence Review

December 21, 1982

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# EIR

## From the Managing Editor

As 1983 approaches, *EIR*'s LaRouche-Riemann econometric modeling team has initiated a series of studies on the effect high-energy beam-weapon development would have on the economy of the United States, and thus the world as a whole. The first study, nearing completion, shows highly regenerative effects; excerpts will appear in next week's issue of *EIR*. Focusing on the NASA space-exploration program, the study shows an indelible correlation between net new investment and productivity increases in the overall economy. The key to the phenomenon is that it was true *high-technology* investment, emphasizes David Goldman, not the sort favored by either the conventional military buildup advocates, or the "Atari Congressmen" who look to post-industrial sectors as opposed to frontier nuclear-energy applications as the fulcrum of the 1980s.

A very different kind of economic investigation is in our Special Report this week. The drugs-for-weapons traffic, whose New York and Moscow components come together in Italy, Turkey, and Bulgaria, shows that drugs have become the normal currency in all illegal transactions, as Judge Palermo of Trento explained in an early-December interview with *Europeo* magazine. Day by day, *EIR*'s own investigations are cracking open new leads in both the Western side of this network, as embodied in Mafia attorney Roy Cohn and Manhattan District Attorney Robert Morgenthau, and the Eastern side, whose lower level is exemplified by AFL-CIO liaison Luigi Scricciolo, a Red Brigades leader on trial in Italy who has now described himself as a Bulgarian spy.

Next week we will present further intelligence on this subject. Also forthcoming is the section of our dossier on the *New York Times* which documents the *Times*'s collusion with the pro-British faction of the Soviet secret service.

*Susan Johnson*

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## Has the Group of Five given the dollar a death sentence?

by David Goldman, Economics Editor

Senior officials of the international financial organizations do not expect the Dec. 9 meeting of the Group of Five finance ministers near Frankfurt to secure a bailout of the world banking system.

From preliminary briefings, it appears that the ministers will agree to a 50 percent increase in the present resources of the International Monetary Fund (now \$60 billion, but only about half in currencies acceptable in international payment), and to the expansion of the industrial nations' emergency kitty, the General Agreement to Borrow (GAB). In any event the International Monetary Fund's increase in quotas from members will not make funds available until some time during 1984, even under the very best of circumstances, and has no relevance to the present crisis, as well-informed officials are quick to admit. The General Agreement to Borrow presently stands at \$8 billion, and may be expanded to \$15 billion.

### **International payments crisis**

Meanwhile, after the \$1 billion-plus American loans to Brazil and Mexico, a \$1 billion Yugoslav loan from the Federal Reserve is under discussion, while Argentina has made applications for a \$750 million facility from the Bank for International Settlements.

All this has a great deal to do with the dollar's 12 percent fall against the yen, and 7 percent fall against the German mark, as well as the rise in the price of gold to about \$458, during the past three weeks, for reasons to be explained below.

Clearly, the pre-circulated agenda of the finance ministers of the largest industrial countries falls short of a solution

to the worst international payments crisis since 1931 (and in terms of the ratio of debt to trade, of all time). World trade is now declining at an annual rate of 25 percent per annum, according to the respected Japanese economist T. Nakamae of Daiwa Securities, London. The collapse of world trade volume has been accompanied by a breathtaking decline in the terms of trade of the major debtor countries, in the form of a 30 percent decline in raw materials prices during the past 18 months. British analysis, contemplating the free fall of the pound sterling during the past several weeks, now warn that after the winter's peak, the OPEC production level will fall from the present low level of 18 million barrels a day to only 10; and that, as a consequence, the present softening trend of oil prices will turn into a rout, with the price of oil ending the first quarter of 1983 between \$20 and \$25 per barrel, against the present \$32 benchmark. They further agree that the oil price drop will inaugurate a new round of price declines among the major industrial and agricultural commodities, further worsening the payments terms of the developing nations.

How thin the safety net that the Group of Five has stretched out turns out to be is not certain; but the difficulties are best illustrated by the case of Brazil. Brazil had received, and spent, the entire \$1.2 billion American loan announced by President Reagan during his trip to that country Nov. 27; the first installment had come a month earlier, the balance several days before Reagan arrived. The American government hastened to make clear that the Brazil loan was only a short-term bridging facility, to be paid back out of the proceeds of Brazil's condition-free borrowing from the International Monetary Fund, through the Compensatory Financing Facil-

ity. It appears that a \$5.8 billion IMF package for Brazil (the figure is disputed in any event by IMF officials who look for a somewhat lower figure), plus a \$1.2 billion IMF loan, turns into barely enough to meet Brazil's \$4 billion payments requirements until year's end. Brazil has, in any event, been flat out of funds since early October, and has been living hand to mouth through short-term credits. (Although the entire IMF loan will not be made available immediately, but rather over three years, it is expected that Brazil will be able to borrow elsewhere against its eventual disbursement.)

Where will the money come from afterward? The IMF can neither legally give more, nor physically find the wherewithal to do so. The private banks are out to lunch, particularly after the European members of the Brazilian lending consortia delivered a flat "no" to Mr. Delfim Netto, Brazil's Economics Minister, during his trip to Europe in October. During the first week of December Brazil took the extraordinary step of sending a telex message to its bankers informing them how much would be expected from each of them; the contents of the replies are not known.

Apart from Brazil, the Argentine situation remains blocked, not least by a 6-million-person general strike against the International Monetary Fund by Argentine unionists on Dec. 7, whose illegality under the military regime did not appear to trouble the Argentine government (see article, page 34). Argentina has in any event been *persona non grata* at the Bank for International Settlements in Basel, where its requested \$750 million emergency credit line is under discussion, since it unilaterally issued \$5.5 billion in five-year paper in exchange for defaulting private, government-guaranteed debt in late October. Venezuela's once rock-steady bolivar has collapsed in imitation of the Mexican peso in late summer (following the precise timing *EIR* projected in September). Chile's government, unable to obtain foreign currency, has desperately asked its private companies to go out and obtain foreign credits, with little hope of success; and it appears likely that the second economics plenipotentiary within three months will be fired.

### Debt and the U.S. currency

How long the Federal Reserve can continue its largesse is uncertain; after all, it is difficult for Volcker or the administration to go before Congress and justify multi-billion-dollar loans to bankrupt developing nations, on behalf of the bankers, while the federal budget is subjected to unheard-of austerity and the economy remains in depression. Nonetheless, analysts at some large New York commercial banks believe that the stunning fall of the dollar during the past three weeks was a reflex response to the possibility that the Federal Reserve might try to deal with the problem through a general reflation—that is, by *transferring the bad debts of the banks to the account of the United States itself*.

The dollar's present fall, which is not necessarily irreversible—although the dollar must fall sharply some time in the near future—indicates that the credit of the United

States is no longer good enough to absorb the bad debts of the banking system. If the United States had not already had to borrow in the fiscal year ended Sept. 30 approximately the total of domestic savings, \$217 billion net, matters might be different; there might be more room for maneuver. However, the enormous dependence of the United States Treasury on foreign capital inflows makes the entire American interest rate structure, and therefore the world economy, hair-trigger sensitive to the value of American government obligations (i.e., the dollar) on the international markets.

During the coming fiscal year, according to official estimates, the Treasury deficit will be in the range of \$150 to \$200 billion; that assumes a strong or weak recovery, respectively. Assuming no recovery, and a continued downturn, as *EIR* projects, the deficit will be even worse. Add about another \$100 billion for the various "off-budget" forms of federal borrowing, and the total borrowing bill may be in excess of \$300 billion, or half again as much as total domestic savings!

Should Volcker attempt to throw newly created money at the problem, which some analysts at the German Bundesbank expect he will, the foreign fund managers who put perhaps \$40 billion into U.S. government securities during the course of the past year will run for cover. In effect, Volcker would have told them that he is devaluing their claims in order to compensate for the absence of paying income on other dollar-denominated claims, those of the large American banks.

There should also be no illusions concerning "international cooperation" or "coordinated reflation"; since the overwhelming majority of the bad debts are in dollars, the bill will come back to the Federal Reserve. This point has been made with some emphasis by the chief economist of the General Agreement on Trade and Tariffs, Jan Tumlir, in recent public discussion.

### A barren agenda

Of course, once the dollar fell out of control—and the past three weeks demonstrate its vulnerability to free fall—interest rates in the long-term markets in the United States would necessarily rise. Foreign investors who moved in for safety would flee for fear of capital depreciation. The situation of the British markets, now characterized both by rising interest rates and a falling pound, may well prefigure the American markets' situation during the next several months, as the sterling crises of the 1960s and 1970s provided the precedent for dollar crises that followed.

The Federal Reserve's policy has run out; it can offer nothing but "loose money" or "tight money," neither of which work in an environment of rapidly shrinking world trade. Nothing will help short of a general reorganization of the developing sector's debt at low interest rates, and the restriction of new official credits to purposes which actually expand the physical volume of goods produced and shipped. Tragically, the Group of Five agenda does not include anything of the sort.

# Turning point in de-industrialization: the West German steel shutdown

by George Gregory, Bonn Bureau Chief

The de-industrialization of post-war Germany, City of London bankers and their American counterparts first conceived the Morgenthau Plan of 1944 to carry out, is now being accomplished by the effects of Federal Reserve Chairman Paul Volcker's high interest rates. The accelerating collapse of world trade in the third and fourth quarters of 1982, to which the export-dependent West German "economic miracle" was all too vulnerable, is taking the German steel and other industries down with it.

A major component of de-industrializing Germany has been to "decouple" the domestic banking system and German industry. Up until the present, a sizeable proportion of the domestic banks' reserves were "good as gold" interests in productive industries. In the face of imminent international financial crisis, both the banking and industrial sectors are being put through a "radical cure," a process of asset-stripping to build up liquidity.

Over the past months, the German press has repeatedly noted that banks, particularly the Dresdner Bank and Commerzbank, are selling off their physical assets, and increasingly relying on interest-rate differentials for earnings.

The last in a series of "adjustments" to worldwide depression is to be the creation of a series of "united steel producer" cartelized financial entities which will make the ultimate decisions on what industries, and what industrial cities, will survive. Yet the current collapse is accelerating at such a rate that events are overtaking the planned rate of this cartelization: official figures on capacity cuts and layoffs are proving to be gross underestimates one month later.

Since the breakdown of the Bretton Woods system over the 1971-73 period, the entire German export capacity has veered towards riding the speculative wave in the Eurodollar market rather than building domestic technology and long-term industrial markets in the developing sector. The 1960s saw both the period when West Germany, after being held to 15 years of industrial stagnation by the post-war occupation and the Marshall Plan, finally closed the "technology gap" with the United States, and initiated whatever high-technology industrial investments are still sustaining the economy.

The immediate effect on West German exports of the 1973-74 Great Oil Hoax was that with the swelling of the Eurodollar markets with petrodollars, the world monetary system could temporarily afford to pay good money for good

machinery. But the massive increase in energy costs, and the overall contraction in production meant that importing nations could scarcely afford to utilize their imports, much less sustain them. German exporters have been left high and dry.

## The demolition of steel

The German steel industry, which survived World War II bombing raids aimed more toward terrorizing the population than destroying Germany's war-fighting capability, is now facing demolition as the result of both international and domestic economic war. The construction industry, which through the 1960s was the primary indicator of the direction of the West German economy, has, with over 200,000 official unemployed, been retired from the field. Steel is now the focus of the most acute economic and political crisis.

Within the month, a team of three representatives of West German industry, handpicked by Economics Minister Count Lambsdorff, will present a report of a "consensus" plan to manage the cartelization of the steel industry. This team consists of Günther Vogelsang, on the boards of VEBA, the BP-controlled German oil company, Thyssen Industries and Deutsche Bank, Frankfurt; Marcus Beirich of Mannesmann steel; and Alfred Herrhausen of Conti rubber, German Texaco, Deutsche Bank, Frankfurt, and of Enka, a Dutch-linked chemical firm, created in the late 1960s-early 1970s at the same time that Deutsche Bank also arranged the merger of Hoesch steel with the Dutch Estel firm. Enka is now overseeing the shutdown of the chemical industry in Kassel.

In final homage to the *Wunderwirtschaft*, or miracle economy, of the 1960s, the German steel industry continues to report its overall productive capacity to the European Community commission as 67 million tons per year. But the EC's Davignon Plan to limit European steel production has done its work far better than these official figures would suggest. The best industrial economists now estimate top technical capacity at 58 million tons, on the basis of production figures from the last "boom" year, 1974.

Estimates of actual output are far lower, and, far worse, production is collapsing so rapidly that production figures are being revised downward on a day-to-day basis. Best estimates from the steel industry for the September-October period were for annual production of some 36-37 million tons, or utilization of only 64 percent of capacity. As of early



December, the annual production rate had collapsed to 28 million tons, meaning that the industry is now operating at 49 percent of capacity.

These conditions mean that it will not be difficult to enforce a consensus that the steel industry should lose nearly one-third of its officially reported capacity. Davignon is calling for EC members to cut productive capacity by 35 to 40 million tons. Industry sources report that the special team assembled by Count Lambsdorff will recommend that Germany must cut 15 million tons of its technical capacity, leaving 43 million tons capacity on line. But this will not violate Davignon's policy, because, with the decimation of the labor force, West Germany does not have the manpower to operate at top technical capacity. Under present conditions, there is little chance that the actual 49 percent capacity utilization can be turned around.

The effects on world steel production will be disastrous. West Germany imports a large portion of its steel, both from other EC nations and the developing sector. If, as Davignon intends, Germany cuts off all imports, the industry might be able to maintain current (i.e., 28 million tons annually) production levels, but expansion would be impossible.

### **The destruction of the labor force**

The decimation of the West German labor force shows how rapidly the nation is moving to a point of no return. Maintaining some kind of workforce has been a critical factor in the domestic steel war, where companies have been pitted against each other in a contest for outright survival.

By the end of 1982, there will be approximately 256,000 employees in the steel sector, broadly defined. This is 15 percent, or 44,000 workers fewer than 1978—the last year in which there was any remnant of capital investment. As of November, the Steel Employers Association had estimated that 9,000 workers would have lost their jobs so far this year, and that another 4,000 would be out of work by January 1983. These estimates are already obsolete. Krupp alone laid off 1,300 workers in September-October, and another 3,600 in the beginning of December. From 1972 to 1982, the industry has lost 118,000 workers, a full one-third.

In attempting to survive, steel companies have put 50 percent of their workers on short work. But, although short work in the industry normally means only 30 to 40 percent of normal work time, given the 49 percent production levels, some 78,000 of these 120,000 workers on short work are actually "redundant!"

The government has recently extended the period a worker can legally be on short work from 24 to 36 months. The Labor Office will have to pay the difference between 68 percent of what a worker normally earns and what he makes on short work for these 78,000 for another year—but this policy may be the final blow to the steel companies. Many are not solvent enough to carry their short-time workers for that period.

From 1978 onwards, most steel firms in West Germany

have been forced to use funds needed for crucial maintenance of plant and equipment just to carry their manpower in the domestic industrial war that has pitted Thyssen against most of the rest of the industry. Some 25 percent of the price of a ton of steel is necessary just to maintain technical productivity. Now, firms that were using that 25 percent of earnings just to carry manpower necessary to keep producing, are announcing layoffs, signalling financial disaster. In addition, during this five-year period, almost no investments in merely maintaining physical capacity could be made, meaning that the industry has essentially cannibalized itself. Industry sources have estimated that the steel sector could survive such cannibalization for at most 6 to 7 years.

Thyssen steel is surviving in this depression for one reason: like U.S. Steel, it has diversified for financial earnings, like an insurance company. While other companies announced layoffs, in October Thyssen put 18,000 workers, 50 percent of its workforce, on short work, with the intention of bringing at least a portion back after other companies have been forced to permanently shut down technical capacity. Thyssen will then be able to dominate whatever market remains. Thyssen's steel operations will reportedly not pay any dividends to shareholders this year in order to outlast the other steel producers.

### **Permanent shut-down**

Mannesmann steel head Overbeck has said that Germany really does not need any more than two steel companies. The Finance Ministry special team is reported to also be coming to this same conclusion, with the survivors already selected. One possible "consensus" will be to have Thyssen and Krupp combine, and Klöckner, Salzgitter, and Hoesch steel, all middle-sized companies, form the other. The remains of other steel-producers will be divided between these two. One of the most drastic features of the forthcoming Finance Ministry report is said to be a recommendation that basic steel capacity be maintained only if it is located on the Rhine river, Germany's major transportation artery. That would mean that steel centers in Dortmund, and the Saar would be closed down.

As Jürgen Krakow, head of Arbed Saarstahl, states, the Saarland steel operations have already "complied" with Davignon's policies—any further cuts will mean total shutdown. Crude steel capacities have been cut by 37 percent since 1977, and rolled steel by 26.5 percent. Production overall has dropped by 35 percent. Employment, down by the same percent, is now at 20,000. Close to 40,000 workers are on short work, including the *entire* work force of Arbed. The projected Krupp-Hoesch "cooperation" may also still be carried out—Krupp steel has already applied for the funds to invest in the new type of cold rolling mill that Hoesch was to have built in Dortmund—but the two-year time-frame for this merger is obviously too slow. The German steel industry will be little more than stripped-down financial entities by that time.

# India and Bangladesh finally reach accord promoting economic development

by Paul Zykofsky, New Delhi Bureau Chief

A few months ago a Bangladeshi diplomat confided to this reporter that there was a great deal of concern in Dhaka that relations with neighboring India might be headed for difficult times. The cause of concern was the November expiration of a five-year agreement for the sharing of the Ganges River waters at Farakka, 20 miles upstream of the point where the river enters Bangladesh.

However, the outcome of the visit to India of Bangladesh's Chief Martial Law Administrator General H. M. Ershad in early October, and subsequent economic discussions in mid-November have helped to set to rest these pessimistic expectations. An interim agreement on the Ganges water issue was reached, and both countries showed their determination to improve the strained relations of the past few years by strengthening economic ties between the two countries.

Economic analysts in New Delhi emphasize that there is wide scope for cooperation between the two countries, especially now that the depression in the Western economies has drastically reduced development credits, while simultaneously cutting off markets for developing sector nations' exports. This is especially true in the case of Bangladesh, which relies on concessional aid for up to 45 percent of its development budget. During the last few months Bangladesh, with one of the lowest per-capita income levels in the world, has been under pressure from the International Monetary Fund to reduce government expenditures and impose tighter austerity measures. Meanwhile, the constriction of international trade and the fall in raw-materials prices has made it virtually impossible for Bangladesh to raise resources necessary to keep its economy going, let alone import capital goods for development.

## A first step

The agreements between India and Bangladesh, though still limited in scope, are an important first step toward utilizing India's relatively developed industrial economy in mutually beneficial trade and development projects. They also provide an example of the type of agreements which are being more and more frequently worked out between developing countries—so-called South-South cooperation.

Despite their common historical and cultural background and geographic proximity, economic cooperation between India and Bangladesh has until now been very limited. Dur-

ing the 1960s, before Bangladesh attained its independence from West Pakistan in 1971, a total ban on trade was in effect. Despite efforts to overcome this after 1971, at present Bangladesh accounts for less than 1.5 percent of India's total trade, while India represents less than 5 percent of Bangladesh's trade.

The agreements—worked out during simultaneous trade talks and the first meeting of the recently reconstituted Joint Economic Commission—will begin to reverse this. They include the following:

- **Expansion and diversification of trade.** In order to improve the balance of trade, which has been strongly weighted in India's favor, India agreed to increase its imports of newsprint, urea, and bitumen from Bangladesh, establish purchase contracts spanning several years, and to identify other possible trade items. While India will continue to export coal and capital goods, in the longer term there is a possibility that Bangladesh will export some of the large amounts of gas discovered in the eastern part of the country.

- **Joint industrial ventures.** In the short and medium term the two sides recognize that the "best way for realizing their productive potentials, expanding trade and promoting industrialization on the basis of comparative advantage and complementarity was provided by mutually beneficial joint ventures in the industrial field." Industrial projects which could be established in Bangladesh include sponge iron and steel, cement and concrete sleepers, railway wagons, textile machinery, and modernization of sugar mills. Some of these joint investment projects would also involve buy-back arrangements.

- **Improvement of transportation and communication infrastructure.** In order to expand cooperation in trade and industry, improvements in telecommunications, railways, roads, shipping, and waterway links between the two countries will have to be made. Bangladesh's Foreign Minister A. R. S. Shamsud Doha noted that it was absurd that Dhaka should be able to reach Calcutta, less than 130 miles away, only via New York and London. To correct this, the two sides agreed to a one hundred percent increase in existing telecommunications facilities between the two countries.

- **Financing arrangements.** With the view toward promoting the establishment of industrial and infrastructure projects in Bangladesh, it was agreed that India would provide a

government-to-government credit of Rs. 200 million (approximately \$20 million) for the import of capital goods and equipment from India; a Rs. 400 million credit from India's Export-Import Bank to finance imports for the public and private sector; and a Rs. 200 million loan to the private textile industry. The two countries also agreed on the need to work out suitable financing arrangements to ensure the viability of future joint-venture projects. At a press conference following the discussions, Bangladesh Foreign Minister Doha noted appreciatively that India had made these loans at a time when there was a worldwide recession accompanied by a tight credit squeeze.

● **Scientific and technological cooperation.** A five-year agreement to promote cooperation in science and technology was also signed. The wide-ranging agreement includes exchanges of scientists, delegations and information as well as setting up of joint research projects.

Observers of Indo-Bangladesh relations were taken aback somewhat by the swiftness with which both sides have moved in just a few short months. Foreign Minister Doha summed up the reasons for this quick progress when he noted that both countries had made clear their political will to move ahead with the improvement of bilateral relations.

This new mood of optimism stands in sharp contrast to the tension which had characterized relations as late as a year ago, following disputes over a small island in the Bay of Bengal during the governments of Bangladeshi President Ziaur Rahman and his successor Abdus Sattar. When General Ershad, Chief of the Army, took over the reins of government from the unstable and discredited President Sattar, there was some apprehension in New Delhi. But General Ershad has shown himself willing to take a mature view of things and to put aside the type of public recriminations which has severely strained relations in the past. The Gandhi government has reciprocated.

This new attitude was evident, for example, from the flexible position taken by India on the Ganges water accord. Meanwhile, during the past few months, Bangladesh has played an important role in lobbying for India to be the next host and chairman of the Non-Aligned movement, especially in the face of opposition by Pakistan and some of the Arab nations.

### **Long-term prospects**

However, any long-term improvement of political and economic relations will depend on solving the more intractable problems, especially the working out of a scheme to augment the dry-season flows of the Ganges River. While several plans have been proposed, the issue has been complicated by the short-term needs of both countries. After India built the barrage at Farakka, to divert water to keep the Calcutta port open during the dry season in the mid-1970s, the two countries worked out an agreement in 1977 governing the sharing of water.

During the Gandhi-Ershad discussions both sides agreed

to extend the current agreement for 18 months, with some minor modifications regarding the monthly schedule for releasing water into Bangladesh. But both leaders expressed dissatisfaction with the present situation, and agreed to carry out pre-feasibility studies on the proposal for working out a long-term plan for augmenting the waters of the Ganges during the dry months when the flows are insufficient to meet the needs of both India and Bangladesh. Negotiations on finding a long-term solution have been at an impasse for the last few years, after India rejected Bangladesh's proposal to build dams and storage sites on the tributaries of the Ganges River in Nepal because it did not want to involve a third party in negotiations, and Bangladesh rejected India's proposal to build a canal through northwestern Bangladesh to transfer surplus water from the Brahmaputra River to the Ganges, as technically unfeasible. But with the two leaders having set an 18-month deadline for resolving the deadlock, observers here indicate that a possible compromise may be worked out which would incorporate aspects of both proposals.

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*Analysts in New Delhi emphasize that there is wide scope for cooperation between India and Bangladesh, especially now that the depression in the West has drastically reduced development credits. The agreements between the two countries are an important first step toward utilizing India's relatively developed industrial economy in mutually beneficial trade and development projects. They also provide an example of 'South-South' cooperation.*

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Both countries are well aware that more is at stake than solving the current water shortage. A large-scale water development project would be able to fully harness the enormous water resources of the Indian subcontinent for high-technology agriculture and hydroelectric power generation. This would be of immense economic benefit for both countries, and a model for "South-South" cooperation.

# *How Benjamin Franklin organized American industrial growth*

by Donald Phau

Today, as hundreds of businessmen go bankrupt daily as a result of the British-inspired policies of Federal Reserve Chairman Paul Volcker, we ask the reader, who perhaps is a businessman himself, to reflect on the period when the United States was created 200 years ago. Organized under the leadership of Benjamin Franklin, the entrepreneurs of that age were key to the founding of the nation, and showed some guts as well as an instinct for self-preservation. Both these qualities appear to be lacking today. We hope the following will now lead to some changes in this sorry state of affairs.

By 1783 the United States had won its independence but the question of whether the colonies' rupture with the British crown would be a mere formality remained unanswered: would the new nation remain subservient to British "free trade" colonial looting policies? A handful of conspirators, led by Benjamin Franklin, set out in that year to crush British colonialism forever. To accomplish this they planned to model the new nation on the 17th-century Grand Design policies of the German scientist and philosopher Gottfried Wilhelm Leibniz by building a republic based on scientific and industrial advancement and dedicated to the prosperity and rapid growth of its population.

It was to implement such a Grand Design that Franklin led in the organizing of a federal government through the adoption of the Constitution. Under the post-Revolutionary War government of the Articles of Confederation the states had been left to bicker among themselves, with little energy left over to concern themselves with the business of the nation as a whole. Franklin's intention was to put an end to this state of affairs by creating a strong central federal government as the vehicle to ensure centrally directed national development in the form of construction of massive infrastructural projects of canals, bridges, roads, and power sources. His interest was to create an economically powerful republican nation which could be a "beacon of hope" for the world.

## **Franklin the city-builder**

Franklin had a proven record of success as a city- and nation-builder. Under his leadership, with the aid of the elder merchant-scholar James Logan, the nation's first city of Philadelphia underwent phenomenal growth, increasing from 8,000 inhabitants in 1723, when he first entered the city, to 50,000 at his death. By 1790, it rivaled London and Paris in importance. Franklin planned to replicate Philadelphia's growth in other cities throughout the United States. As early as 1754, while the colonies were still under Crown rule, he proposed the full-scale development and settlement of the great central U.S. Ohio Valley. The project would be directed by a joint committee of representatives from each colony, a prototype central government. This, Franklin stated, would be essential for "natural defense" especially against possible invasion from the French, then at war with Great Britain.

The Court of St. James, however, rejected Franklin's proposal without comment. Years later Franklin's co-conspirators, expanding on the project, proposed the massive development of steam power utilizing the Ohio Valley as, in their words, "the greatest factory of raw materials in the United States." Integrated industrial cities were planned as well, with steam or water power as their chief energy sources. It was to accomplish such "Great Enterprises" that Franklin sought to recruit prominent merchants, bankers, and entrepreneurs to his Federalist faction's program for the Constitution.

Franklin's major opponents were the landed, nouveau-riches aristocracy of the South and the Boston-centered Tory stronghold of merchants and bankers. Together these constituted a powerful faction which desired to see the nation remain a backward, agriculturally oriented country dependent on Great Britain for its manufactured goods.

The spokesman for this Anti-Federalist faction, as they became known, included Richard Henry Lee, the great-

grandfather of Robert E. Lee, and Patrick Henry. Thomas Jefferson was their silent partner in public demeanor, a position that can be readily ascertained by reference to Jefferson's book, his 1783 *Notes on the State of Virginia*. This tract contains an explicit attack on Franklin's city-building policies. Jefferson writes:

While we have land to labour then, let us never wish to see our citizens occupied at our workbench, or twirling a distaff. Carpenters, masons, smiths are wanting in husbandry, but, for the general operations of manufactures, let our workshops remain in Europe. . . . The mobs of great cities add just so much to the support of pure government, as sores do to the strength of the human body.

In a flanking maneuver Franklin set out to enlist the support of a grouping of wealthy merchants in New York and Philadelphia. His efforts were dependent on two young recruits, Alexander Hamilton of New York and Tench Coxe of Philadelphia.

Hamilton at the early age of 16 had already been put in charge of the powerful trading firm of Nicholas Cruger of St. Croix, a major trading center in the British West Indies. Through Cruger, Hamilton was introduced to the influential merchant families of New York led by William Livingston and Elias Boudinot. These families brought Hamilton to New York and sponsored his education. Later Hamilton married the daughter of another wealthy New York merchant, Philip Schuyler.

Franklin's other young agent was Tench Coxe, son of a wealthy Philadelphia merchant. Coxe family members were the first proprietors of the Carolinas under a grant from the King of England. Later they bought a million acres of land in western New Jersey. In 1763 Franklin aided Tench's father in providing the management for their Carolina claim. The Coxe's were part of the Philadelphia elite which included the Willings, Shippens, Miflins, and Bingham.

By no means were these families all patriots. The Coxe family itself was split between Tory and Patriot. Tench Coxe himself, at the age of 21, continued to sell goods to British troops occupying Philadelphia. When the British abandoned the city, Tench stayed behind and joined the American cause. When Tench was accused of being a traitor after the war, Franklin himself stepped forward to clear his name.

### **'Free trade' war**

Under Franklin's guidance, Tench Coxe became a dedicated spokesman and organizer for an American industrial republic. Coxe soon joined forces with another Franklin ally, the Irish republican printer, Mathew Carey. Carey was the first to publish an essay written by Coxe denouncing the City of London's new policy of bankrupting the U.S. economy. The policy, which became the Earl of Sheffield's "orders in council," prohibited all non-British ships from trading with the British West Indies. All but unfinished American goods

were banned from British import as well. These orders were combined with a policy of massive dumping of British manufactured products on the U.S. market by underbidding domestic goods, i.e., British-style "free trade."

With a knife to their throats, American businessmen responded by joining the newly created Committee of Merchants and Traders of Philadelphia. Coxe was its organizer and first secretary. Established to promote the development of American-based commerce, the Committee issued a circular, written by Coxe, to merchants throughout the country calling for action against the new British "free trade" doctrines. Backed by the Committee, Coxe sponsored the passage in 1785 of the first major protectionist tariff in the Pennsylvania legislature, which then served as a prototype for national legislation. In Coxe's words, the legislation was designed as "an act to encourage and promote the manufactures of this state."

### **Hamilton and 'The Continentalist'**

At the close of the war, Hamilton's organizing for the new government took shape in New York with the publishing of a series of newspaper articles called "The Continentalist." In the series, Hamilton called on the new U.S. elite to look to the former policies of the great French Finance Minister Jean-Baptiste Colbert. Hamilton described Colbert's dirigist economic programs, for which the central government of France was wielded as a mighty engine of development:

France was much later in commercial improvements; nor would her trade have been at this time in so prosperous a condition, had it not been for the abilities and indefatigable endeavors of the great Colbert. He laid the foundation of the French commerce, and taught the way to his successors to enlarge and improve it. The establishment of the woolen manufacture in a kingdom where nature seemed to have denied the means, is one, among many proofs, how much may be effected in favor of commerce by the attention and patronage of wise administration.

In late 1782 Hamilton was elected to the Continental Congress representing New York. The Congress became his stepping-stone for organizing the Constitutional Convention five years later in Philadelphia.

In the fall of 1785 Benjamin Franklin returned from Europe to his home in Philadelphia to take personal charge of the organizing for his Grand Design. Franklin had spent the previous nine years in Europe successfully winning the support of most of the European nations for the American Revolution. The essential role that Franklin played in establishing the Constitution after his return is, without question, one of the most wildly distorted episodes in American historiography. Many historians go so far as to assert that Franklin opposed adoption of the Constitution.

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*To be continued*

## Hong Kong real estate over the edge

*Sooner or later, depending on the Hongshang, the world collapse will wipe out the island's scams.*

Information made available to *EIR* belies the recent spate of assertions that an unravelling of Hong Kong's entire financial structure has been averted.

The real-estate bubble consisted of a quadrupling of property prices between 1978 and the end of 1981, based on a 70 percent annual growth of credit injected from the unregulated banking and investment sectors. As revealed by the *Far Eastern Economic Review*, the actual situation is an amazing tangle of leveraged properties, cross-holdings, buy-back arrangements, interlocking deals, backscratching arrangements and related practices. The result is that a lot of individual investors and a lot of foreign banks have dumped a great deal of money into Hong Kong, and it will now be interesting to see how much of it they ever get back out.

Perhaps the most blatant operation to surface so far is the case that touched off the recent panic, the Nov. 17 insolvency of Dollar Credit & Financing Ltd. It now emerges that Dollar Credit, which disclosed Nov. 15 that it couldn't pay its debts, amounting to HK\$650 million had HK\$560 million in loans, two-thirds of its entire loan portfolio of HK\$864 million, secured by nothing but the personal guarantee of F. S. and J. Mao. \$278 million of that sum had been lent to the two gentlemen days before the announcement of insolvency. It now appears that J. Mao is a director of Dollar Credit's parent company, through which influence,

presumably, he was able to run the entire scam. Burned in the affair, among 39 major creditors, are Crocker National Bank in San Francisco, which has secured a court order freezing Dollar's New York deposits, and American Express International Banking Corporation.

Then there are the operations of the Carrian Group, which includes a public stock company and several private companies, and a host of miscellaneous subsidiaries. The public company has HK\$3 billion in deferred liabilities and \$4.1 billion in stockholders' funds (book value), but apparently a very tiny equity base, most likely under \$500 million. (There are approximately seven Hong Kong dollars to one U.S. dollar.) Until recently, Carrian's primary source of revenue was windfall capital gains from quickly reselling certain properties at a huge markup. With real-estate values now at half what they were a year ago, this source of income is gone forever.

Finally, the post-1981 fall in Carrian shares, beginning before any problems had been made public, strongly suggests that the non-Hong Kong resident Chinese backers of the company made a stock killing, and then got out. Paribas, Barclays, and the PRC's Bank of Communications are among those holding the bag now.

The third of the troika is Eda Investments Ltd., all but one of whose creditors have just agreed to disastrous terms of debt rescheduling. Against HK\$1.4 billion in debts, the

company has only \$475 million in assets, down from \$847 million in Sept. due to the real estate collapse. The agreement will provide only \$12 million annually in interest payments against the \$1.4 billion in debts.

Information provided *EIR* shows that much more may be about to blow: several very large real-estate firms engaged in building new buildings will be clobbered if real-estate prices don't rebound soon. Calculations of "worst-case" liquidity problems by a knowledgeable New York firm show that if no revenue comes in from capital commitments (selling or leasing of new properties), and existing payments are maintained, several major firms would be short, collectively, by many billions. Hong Kong Land, one of the largest firms, would find itself short by HK\$7.3 billion (95 percent of its marketable assets); Hang Lung would be short HK\$554 million (77.7%); Su Long Kai, HK\$1.4 billion (69.9%), and Hong Kong Wharf HK\$1.1 billion (26%), among others.

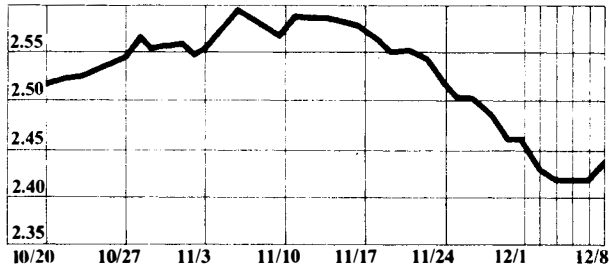
Every expectation that this crisis won't hit depends on a near-term recovery. This is a chimera. The foreign banks, already burned, are looking for the nearest exit. The stock market has already fallen more than 50 percent.

Ultimately, it was demand for new office space that made the boom possible. Now, over-capacity is already severe, with many office buildings under construction yet to hit the market. The plummeting of world trade and the general depression ensure there will be no revival of office-space demand—all of which means that the real-estate market is heading further down. And this will burst the Hong Kong bubble—sooner, if the Hong Kong and Shanghai Bank walks away; later, if Hongshang makes a serious effort to stem the collapse by means of massive capital infusions, instead of the small ones thus far supplied.

# Currency Rates

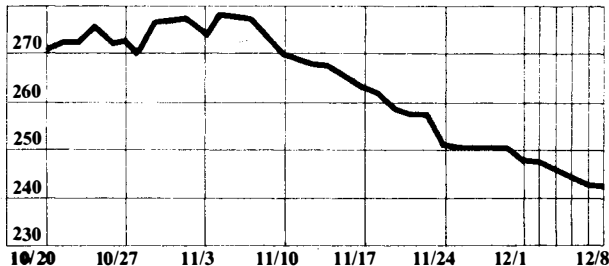
## The dollar in deutschemarks

New York late afternoon fixing



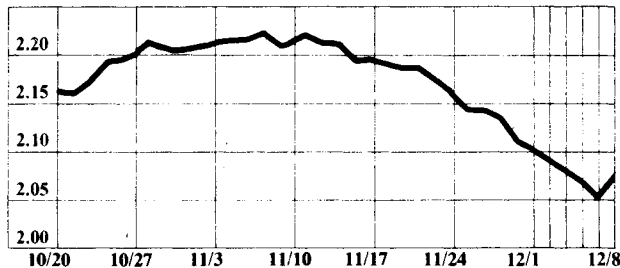
## The dollar in yen

New York late afternoon fixing



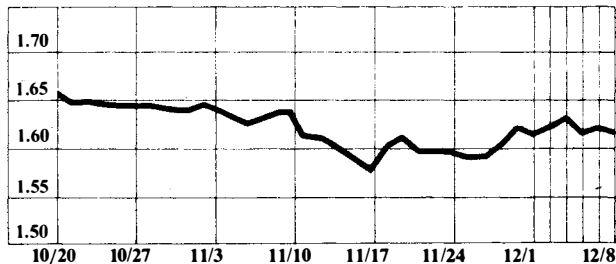
## The dollar in Swiss francs

New York late afternoon fixing



## The British pound in dollars

New York late afternoon fixing



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## Labor at a watershed

*The pressure on union leaders to collaborate with the de la Madrid government's austerity program is mounting.*

The first days of the new de la Madrid administration have already brought difficult times for this country's powerful labor confederations. Two days after taking power, on Dec. 3, de la Madrid called the leaders of the Congreso del Trabajo labor umbrella group to demand support for the economic austerity program he announced Dec. 1. It was clearly a very tense meeting.

Such tensions between labor and the government are a new experience for Mexico's labor leaders, who were courted by the López Portillo government until its last days in power.

Unions such as the Mexican Workers Confederation (CTM), the most powerful of the 34 confederations forming the Congreso del Trabajo, played a key role in the planning and implementation of many of the López Portillo government's development programs. Wage levels benefited from the country's prosperity.

Labor reciprocated by putting its political muscle behind the government. This support was the key to offset the campaign of Mexico's oligarchical forces against the banking nationalization and government exchange-control measures implemented by López Portillo Sept. 1.

López Portillo himself spent his last days in power reminding the country that the centerpiece of the political stability it has enjoyed in the last decades has been an alliance between the executive power and organized labor. In inaugurating new CTM head-

quarters here Nov. 27, López Portillo point blank said that "my regime would not have been possible without the CTM." Then in reference to the long-time head of the CTM, Fidel Velásquez, who has presided over this labor-government alliance for the last 50 years, López Portillo said that "Mexico's history cannot be understood without Fidel Velásquez."

The labor-government alliance was kept in the front pages of the press the next day when the Congreso del Trabajo offered López Portillo a farewell luncheon. Visibly moved, the outgoing President said, "if I did something which satisfied you, that will be my greatest prize, because it is your consensus which I care about." López Portillo was clearly sending a message to de la Madrid to do the same.

But, as seen in his meeting with the labor leaders, de la Madrid is not ready to compromise his commitment to impose austerity. In a public ceremony Dec. 6, de la Madrid's top advisor and Secretary of Planning and Budget Carlos Salinas de Gortari once again called for labor's support for the austerity package, in almost peremptory tones.

The Congreso del Trabajo and Velásquez have responded by saying that although they are willing to share sacrifices, they want to see what the government will do to control prices of basic goods. Tense bargaining is expected to continue for several weeks.

Fights are building not only in the economic area. A key component of

the Congreso del Trabajo, the Teachers Union (SNTE), probably the largest union in Latin America, is coming under fire from the new Education Minister Jesus Reyes Heróles. Reyes, the "intellectual" force behind several Jacobin groups, is expected to implement a plan to decentralize the education system which in turn could dismantle the SNTE control over teachers around the country. One press columnist extolled Reyes Heróles as just the man to "remove the fangs and cut the claws" of the SNTE leadership.

Some labor leaders have realized that their survival as Mexico's most powerful political force depends on breaking the intense austerity mentality being fostered by monetarist officials in the new government. Asked for his opinion on Finance Minister Jesus Silva Herzog's announcement Nov. 25 that the economy will not grow for the next few years, Fidel Velásquez told the press that "the obligation of all sectors of the population is to take care of what is at hand and not to think about this talk of not growing and not creating jobs."

There is also growing understanding that labor's hard times will not end by fighting domestic forces, be it the government or business groups, but by targeting the international forces which provoked the world recession in the first place, and joining an international mobilization to do this. A CTM delegation from the city of Monterrey is reported to be visiting several Ibero-American countries to build support for continent-wide action on the foreign debt crisis now hitting several countries in the area.

Such a mobilization would hook up Mexican labor with forces such as the powerful Colombian Workers Union (UCT) which is now gathering support for a proposal that several Ibero-American governments jointly renegotiate their foreign debt.



# Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>UPDATE</b>			
\$2 bn.	India from France	France promised a \$2 bn. trade credit to finance capital exports to already negotiated deals for building aluminum plant in Orissa, electric plant in Bangalore, telecommunications equipment and manufacturing plants, and a truck assembly plant.	Mitterrand's visit to India consolidated numerous agreements which were made during or before Giscard d'Estaing's Jan. 1980 visit there.
\$7 mn.	India from France	France formally agreed to supply 20 tpy of uranium hexafluoride (lightly enriched uranium) to fuel the Tarapur electric plant.	Tarapur was built under U.S. Atoms for Peace. Though under full international inspection, U.S. blocked Indian efforts to obtain fuel.
\$700 mn.	India from France	India has finally signed contract for 40 Mirage-2000 fighter jets. Tentative agreement had been reached a year ago, after French abruptly seized this business from the British. The main importance of the deal is that it opens the door to the multi-billion dollar prize, which is helping India develop a modern aircraft industry, starting with assembly of the next generation of fighters.	France and the U.S.S.R., the latter being India's traditional arms supplier, are in heated competition for the aircraft industry package.
\$120 mn.	Thailand from U.S.A.	Thai Airways is getting help from Japan's ExIm Bank in financing 2 Boeing 767s as part of deal that Japanese would promote U.S. exports to the markets they dominate. Another feature of deal is that Japanese will manufacture some 767 components.	Japan ExIm part of loan is at 9.2 percent; bulk of deal financed by U.S. Exim at 10 percent.
\$100 mn.	Cameroon from ?	Cameroon seeking bidders for rebuilding 25 km railroad between port of Douala and capital of Yaounde. Route goes through mountains with unstable soil conditions.	Inland portions of 265-mile railroad being built by Cogefar of Italy and Hochtief of Germany.
<b>NEW DEALS</b>			
\$770 mn.	Korea from U.S.A.	Republic of Korea has approved order by United State Lines for 14 large container carriers from Daewoo Shipbuilding. Approval for deal, announced in April, was held up because of pressures from other shipping lines concerned about new bottoms competing with their underutilized ones, and questions about financing.	Korean Exim bank providing \$385 mn. in suppliers' credits backed by guarantees from 6 U.S. banks; U.S. Lines putting up \$154 mn. cash; remainder from Daewoo.
\$310 mn.	Brazil from U.S.A.	Goodyear has signed pact with Brazil's Beflex export program to invest \$310 mn. in increasing production of radial tires, airplane tires, and industrial belts in Brazil by 1991. In return for Beflex incentives, including easy conditions on imports of \$68 mn. in foreign equipment and generous tax rebates, Goodyear pledges to export \$770 mn. in products during same period. This will be only line in Ibero-America building tires for jets, such as 767. Investment welcome at time when Brazilian tire exports in Ibero-America are only half of last year and industry at 70% of capacity, with several multis considering closing plants.	Guaranteed market comes from new Brazilian regulation that 10% of any aircraft imported must be made in Brazil. Brazil plans \$3 bn. imports from Boeing alone during decade . . . if not prevented by IMF conditionalities.

# Business Briefs

## Monetarism

### Chile's Friedmanism comes home to roost

"The government is dying," a Chicago banker lamented to *EIR*, apropos of the fate of Milton Friedman's experiment in "free-market" economics in Chile. "They just can't deal with the loss-of-confidence factor."

As *EIR* reported Nov. 23, Chile has been beset by capital flight at rates estimated at up to \$45 million per day in expectation of a devaluation of perhaps 65 percent. "The government is pleading with the private sector to borrow abroad," reported the banker, but the private sector is answering by demanding the government give pesos for dollars so that they can repay dollar obligations before the devaluation. "All they can do is close the economy," intoned the Chicago banker. That is the reverse of everything Friedman's "Chicago boys"—who still run the economy—stand for.

The country is rapidly moving toward civil war between capitalists and their proclaimed saviors in the Pinochet dictatorship. Pinochet exiled the head of the Chilean Wheat Grower's Federation for discussing the need for a farm debt moratorium. Leon Vilarin, whose CIA-financed truckers' strike helped topple Allende in 1973, says all the truckers will stop paying their debts to protest the 300 owner-drivers still locked up in debtor's prison.

So much for "the magic of the marketplace."

## World Trade

### Nakasone to bring new package to Washington

When the new Japanese Prime Minister, Yasuhiro Nakasone, visits President Reagan in Washington in mid-January, he will bring a "present" of a package of "market-opening" measures designed to deflect charges that Japan's import markets are closed, according to the Japanese press. Nakasone's predecessor had offered two such packages, but they were judged insufficient

by the U.S. administration. In early December the United States informed Tokyo that it intended to file an official complaint with GATT organization charging Japan with unfairly keeping out six U.S. agricultural items.

To shore up his domestic political situation, Nakasone is under pressure to return to Japan with at least the appearance of having patched up some of the U.S.-Japan tensions prevalent under his predecessor. Since Nakasone has already been pressed by farmers lobbying against extensive concessions, it is believed that his package will merely amount to a gradual loosening of quotas and other import barriers; Nakasone is utterly unlikely to end the policy of protecting domestic farmers and industry.

## Foreign Exchange

### Mexico to roll back fixed controls

Mexican President Miguel de la Madrid has announced that Mexico would be eliminating the fixed exchange controls set by former President López Portillo when he nationalized the country's banks Sept. 1. De la Madrid will be returning Mexico to the foreign-exchange policy set Aug. 5, with a controlled rate only for such priorities as debt repayment and a floating rate for all other exchange. Mexico's prior policy was for a floating exchange rate.

To deal with the flight-capital hemorrhage, López Portillo had set fixed exchange rates of 50 pesos to the dollar for priority payments geared to sustain industry, and 70 to the dollar for all others. De la Madrid has not announced what the fixed rate will be, or when the new policy will go into effect.

The floating rate, which could go into effect as early as mid-December, could go into a "free fall" almost immediately. Few dollars will be available for purchase at the banks, and there will be a scramble by both Mexicans and U.S. citizens who have not been able to obtain dollars by any legal means for the past three months to buy whatever is available at any cost. Sources in the banking community predict that the value of the peso will halve, at least.

## Gold

### Prospects for further price increase

A private bankers' meeting in London Dec. 7, addressed by former Chancellor of the Exchequer Denis Healey and Sir Harold Lever, raised the prospect of what is euphemistically called "coordinated reflation"—which really means a great deal of money-creation on the part of the American Federal Reserve in the hope of refinancing dollar-denominated debts of countries who can no longer pay them.

More in Western Europe than in the United States, banking circles are speaking of an "end to the danger of inflation" and predict that the Federal Reserve will adopt the course that the two cited British politicians, who are members of the British Labour Party, suggested. That this is heard more on the far than the near side of the Atlantic might be explained by the fact that it is the Americans who would have to create the cash, rather than the Europeans, some of whom will be borrowing it.

In anticipation of such a development or, more precisely, as a hedge against its possibilities, "old" European families have slightly increased their gold portfolio holdings out of dollars. To some extent this may account for the strong performance of gold's price through the week ending Dec. 10. *EIR* gold specialist Montresor concludes: "It is still possible that a bad liquidity snap would force distress liquidation of gold holdings and bring the price down sharply, but the prevailing view is that the danger of monetary hyperinflation warrants a rise in gold's portfolio share."

## International Credit

### Europe needs \$30 billion official aid next year

European central bank sources report that the weaker European nations will need upwards of \$30 billion during the course of 1983 to finance their payments deficits, as private money becomes more leery of sec-

ondary European borrowers. Countries expected to apply to the General Arrangement to Borrow (GAB), the joint short-term lending facility established during the 1960s by the leading 10 industrial nations, include Sweden, Denmark, Ireland, Belgium, France, Italy, and Spain. Although there is no hint that Britain might apply for any form of official assistance in the foreseeable future, British banking sources warn that a weakening of Prime Minister Thatcher's political position with respect to next spring's elections would "set off a self-propagating crisis in the pound sterling" and "raise the question of British country risk for the first time ever."

In a long editorial-page commentary published in the *Washington Post* Dec. 5, former French Foreign Minister Jean François-Poncet warns that "too little attention has been paid by the monetary authorities" to the European problem, in contrast to the flurry of negotiations over the developing-sector debt. However, Belgian central bank sources warn that the \$20 billion expected to be available at the General Arrangement to Borrow after the Dec. 9 meeting of finance ministers in West Germany will not even be sufficient to meet the demands of industrial nations, much less leave funds available for developing nations.

### **Export Policy**

## **Brazil sticks to barter initiative**

Brazil is not following London's directives on how it should choose trade partners. London's *Guardian* claimed Dec. 2, "The Americans complained bitterly about the preference Brazil has been giving European capital goods—mostly financed with suppliers' credits—and about the deals with Eastern European countries under the special barter system. Brazil had left the American camp and must come back to it."

An agreement signed with East German Vice-Minister of Trade Wilhelm Bastian on Dec. 8 renews for a year the clearing system which permits illiquid countries to trade without dependency on international banks. During 1983, Brazil will import \$170 million in port cranes, other machinery and

chemicals, while the DDR will receive \$200 million in Brazilian soy, coffee, textiles.

### **Economic Modeling**

## **British distressed by IIASA exposure**

"There has been speculation that the CIA planted the spy story deliberately to discredit IIASA," said the London *Financial Times* in a feature-length centerfold piece Dec. 7. The article, titled "The Vienna Connection," starts from the massive leaks of U.S. super-secret material tapped from the Reading, Great Britain Cray-1 computer facility by Soviet agents accessing it from the IIASA Institute in Laxenburg, Austria.

IIASA was founded in 1972 by Dzhermen Gvishiani and McGeorge Bundy, under the supervision of Lord Mountbatten's chief scientist Lord Solly Zuckerman, to be the interface between the Club of Rome's Eastern and Western divisions, and the project center for modeling global Malthusian planning and control of technological development.

The Royal Society, which the *Financial Times* describes as having run IIASA all along, is now pulling out of it altogether, and a major row has erupted within Britain, where pro-"detente" top science controllers such as Lord Zuckerman and Austrian-born Sir Herman Bondi, have expressed total outrage at the move, and are busy trying to bail out the Laxenburg Institute, notably from assaults by a British faction which attacks "the dilettante nature of IIASA's activities and its irrelevance to real problems. . . ."

At bottom is the antagonism between those who want to rescue an operation that has allowed Anglo-Soviet collaborators exceptional opportunities for contact, and those who want to cut the losses immediately in order to soothe the angered U.S. intelligence authorities by means of a big show of break-up of intimate Anglo-Soviet relations.

Consulted on the subject, Lord Zuckerman multiplied comments such as "Rubbish . . . fairy tales . . . absolute nonsense . . . Dr. Alexander King has absolutely zero idea of what he's talking about—I was in charge of the project." His further remarks are confidential.

## **Briefly**

● **FRANCE** has obtained a \$2 billion deposit in a government-owned bank, and possibly an additional \$2 to \$4 billion in short-term credit facilities, from Saudi Arabia. France has had difficulties raising the funds it requires to handle its French franc 75 billion current-account deficit for 1982.

● **PAUL VOLCKER** persuaded the White House to make more funds available for the IMF in the hope of avoiding a banking catastrophe, Evans and Novak reported Dec. 7. But the real impetus came from former Fed Chairman Arthur Burns, now American Ambassador to Bonn, according to *EIR*'s sources.

● **THE SWISS** National Bank is urging banks to start writing off bad paper in the form of loans to developing countries.

● **MARGARET THATCHER**, was told by Rochester economist Karl Brunner to stop worrying about money supply growth because of a big rise in "velocity." This is a big switch for Thatcher advisor Brunner, an old-line monetarist.

● **DONALD REGAN'S** "change in attitude" concerning sweeping plans to bail out the monetary system was hailed by the London *Financial Times* and *Daily Telegraph* in Dec. 8 editorials. How far Regan has gone is not clear, however, although the British apparently have persuaded the U.S. to accept a bigger-than-expected rise in IMF quotas, Regan has refused to negotiate on the key issue of managing exchange rates, without which any attempt to reflate would lead to immediate chaos.

● **WORLD TRADE** fell by 10 percent during the third quarter, measured by the exports of the industrial nations, the IMF reported in a Sept. 6 release.

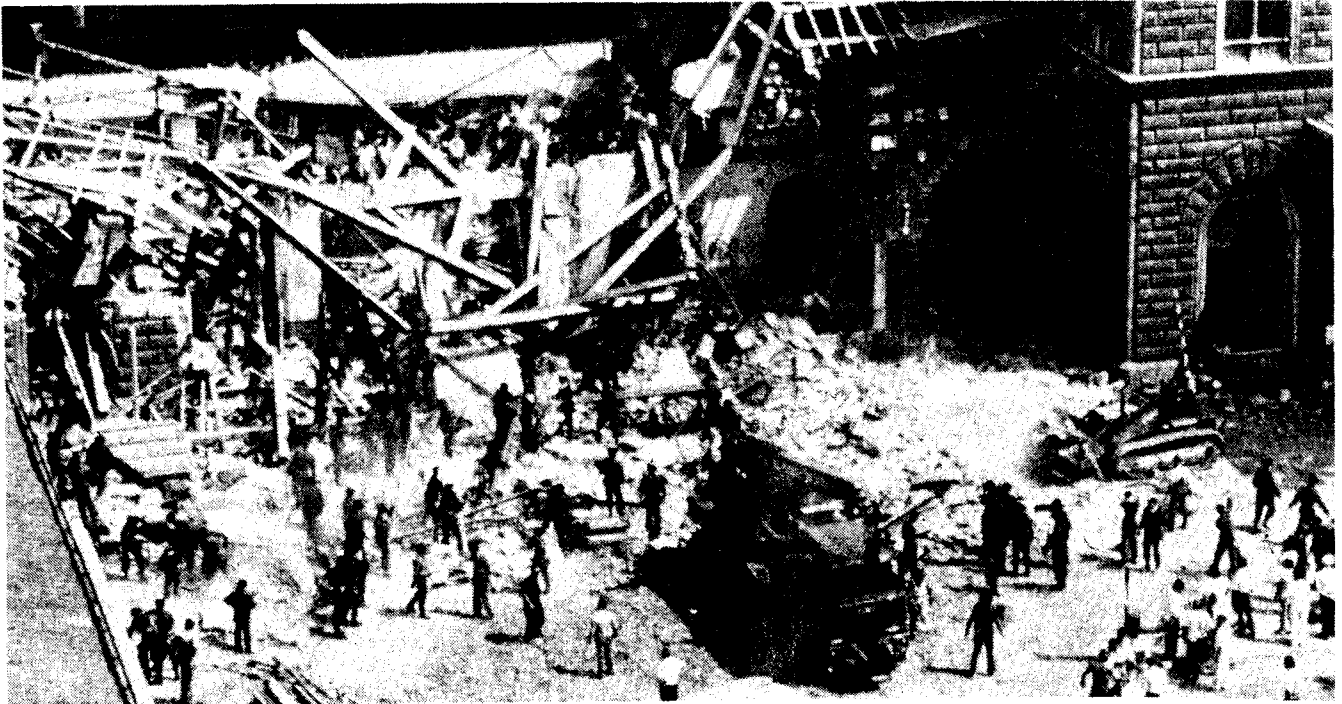
## Italy busts East-West command center for guns, drugs, and terror

by Jeffrey Steinberg, Counterintelligence Editor

In mid-October in nearly identically formulated public addresses, President Ronald Reagan and Pope John Paul II committed the international resources of the United States and the Catholic Church to an all-out war against the international syndicate responsible for the \$200-\$300 billion per year traffic in mind-destroying drugs. Symbolically, the President and the Pontiff delivered those simultaneous messages in Miami, Florida and Palermo, Sicily, two of the world's leading centers of heroin and cocaine processing and distribution.

Only days after these public declarations of war on crime, the Italian magistracy announced a series of sweeping arrests of global significance. First, Judge Ferdinando Imposimato, the magistrate in charge of the ongoing prosecution of the murderers of former Italian Prime Minister Aldo Moro, announced on Oct. 18 that he had issued an indictment against former Socialist Party of Italy (PSI) General-Secretary Giacomo Mancini on charges of conspiracy against the state. These are the same charges brought against Professor Tony Negri and other controllers of the Red Brigades who were the behind-the-scenes directors of the Moro plot and who were over a score of years instrumental in the creation of the entire terrorist underground in Italy and throughout the Mediterranean region.

In mid-November in the aftermath of the Mancini indictment, a group of Milan magistrates announced the arrests of several dozen people involved in the world's largest weapons-for-drugs smuggling ring stretching from the Middle East throughout Europe, including the East bloc, and into the United States. These arrests added a dramatic new dimension to the ongoing Propaganda-2 Freemasonic scandal, which resurfaced over the summer when Banco Ambrosiano president and P-2 money manager Roberto Calvi was found hung from London's Black Friar's Bridge. Sources on two continents have reported to this publication that Calvi was ritualistically executed by the Scottish Rite Grand Lodge of England. The nominal head of the guns-for-heroin ring busted by the Milan magistrates, Henri Arsan, operated his import-export company, Stipam, out of a building owned by Banco Ambrosiano and occupied by the recently-fired Vice President of the bank.



*The aftermath of the 1980 Bologna, Italy train station bombing, which left nearly 100 dead. Black-market arms and explosives, paid for with shipments of drugs, supply both the left and right terrorists of Europe.*

As this special report will detail, the combined impact of the Mancini indictment, the Arsan arrests, and the simultaneous arrest in Rome of an official of the Bulgarian National Airlines for complicity in the May 1981 attempted assassination of Pope John Paul II, represents the greatest opportunity ever to permanently smash the international crime syndicate known as Dope, Inc. For the first time in the post-war period, sufficient evidence has been compiled to puncture the Iron Curtain and unravel the full extent of dirty East bloc networks' involvement in the global trafficking in heroin, heavy arms and terrorism, a trafficking that traces its unbroken origins to the Orient Express opium routes of the Ottoman Empire and the Czars.

### **Immediate strategic implications**

For the experienced law enforcement or intelligence professional, the ongoing Italian revelations represent a special sort of drum beat that has the potential of drawing out into the light of day the actual controllers—many situated in the board rooms of the premier banking houses of London—of the global crime syndicate. As the Italian magistrates have been closing in on the Milan centered gun-drug syndicate, President Hosni Mubarak of Egypt, President Amin Gemayel of Lebanon, and other leading figures including Presidents Betancour and Ziles Suazo of Colombia and Bolivia have all been drawn into life-and-death battles with the same international mafia, the outcome of which will determine the future of all of those nations.

In each and every one of these cases, local oligarchical henchmen of the leading black nobility families of Britain

## **In this section**

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It depends on the old 'French connection' routes through Turkey.

**The illicit global weapons traffic  
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Everything from handguns and grenades to Leopard tanks and Cobra helicopters.

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Cultism, kookery, and terrorism are their hallmarks.

**Map: Major routes of the East-West  
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and continental Europe have found their power challenged through simultaneous crackdowns on the smuggling and flight capital apparatus that has been at the center of their manipulations of national political and economic life.

In the case of Egypt, President Mubarak has taken bold prosecutorial actions against the "Alexandria Mafia," centered around the remnants of the King Farouk apparatus and the drug and flight capital network built up during the Sadat regime by circles linked to the ex-President's wife and brother. It is this apparatus, linked to the Scottish Rite Freemasonic lodges, and, through those lodges, to both the Muslim Brotherhood and to an Anglo-Soviet faction within the Egyptian Army, that has been designated by Henry Kissinger, Lord Carrington, and others grouped around the Kissinger Associates logo to overthrow Mubarak in the immediate weeks ahead in order to check the international momentum of the war on crime and the drive to impose a New World Economic Order.

According to sources in the Middle East, on Thursday, Dec. 2, there was an aborted assassination attempt against President Mubarak involving at least two British "mercenaries" (subsequently confirmed to be still associated officially with British Intelligence) and two Egyptian members of the Muslim Brotherhood known by enforcement officials to be involved in narcotics trafficking. This report was confirmed by U.S. sources.

The simultaneous moves against the international drug and weapons cartel in South America, the Middle East and Italy has, according to several sources polled by this publication, created a serious potential short-term cash crisis for the international black marketeers; this crisis has the potential to force more open intervention by the high-level "citizens above suspicion" who regulate the international dope-and-arms trade behind the scenes. Increasingly, such figures as Henry Kissinger, Ariel Sharon, Camille Chamoun, Edgar Bronfman, have found it necessary to coordinate their travels to directly intercede to block the war on crime efforts. To the extent that this smoking out process is fully advantaged, another layer of the Dope, Inc. hierarchy can be exposed and destroyed.

Ultimately, the success or failure of the announced war against international crime will be determined on American soil. To the extent that the Reagan administration acts on its stated commitment to eradicate the international drug syndicate from the top to the bottom, the White House will shortly find itself confronted with an Anglo-Soviet "fifth column" deeply embedded within the U.S. national security establishment itself. This is where the international drug war will be ultimately resolved.

What is the precise nature of the Anglo-Soviet apparatus and how does it intersect the international drug and arms syndicate?

The answer passes through the ostensibly "anti-communist" doors of such institutions as the League for Industrial Democracy, the East Side Conservative Club, the headquar-

ters of the AFL-CIO and its "comintern" arm, the American Institute for Free Labor Development (AIFLD), the Anti-Defamation League of B'nai Brith and the Georgetown University offices of Henry Kissinger, Alexander Haig, and Michael Ledeen.

As the result of the groundbreaking work accomplished over the past three years by the Italian magistracy with ample support from elements within the Vatican, a firm trail of evidence has already been established across the Atlantic leading to the doors cited above.

In March, 1980, Michele Sindona, the P-2 linked banker presently serving time in federal prison for the financial machinations surrounding the collapse of Franklin National Bank, filed an affidavit in U.S. federal court in the Southern District of New York stating that he was commissioned by then-NATO Commander Alexander Haig to participate in a separatist coup d'etat on Sicily involving several thousand Sicilian and Milanese heroin traffickers now identified as part of the Arsan guns-dope ring. The initial Haig revelations were furthered in May of the following year when a raid on the villa of P-2 head Licio Gelli aimed at garnering evidence of an international heroin ring, instead revealed massive files on the activities of the illegal Freemasonic lodge, including a file labeled "Alexander Haig." On at least two occasions, Michael Ledeen, a State Department aide to Haig and a former Rome bureau chief of *New Republic* magazine, was dispatched to Italy to attempt to retrieve the classified "Haig" file.

In the aftermath of the initial exposures of the P-2 crime syndicate, came a second wave of revelations during the spring of 1982 detailing a superstructure controlling the P-2 grouping known as the Monte Carlo Committee. Prominent among the members of the Committee, according to eyewitness testimony, were P-2 Grand Master Licio Gelli and Henry A. Kissinger. An operative of the Monte Carlo Committee, Stefano delle Chiaie, has been identified by U.S. Drug Enforcement Administration and other sources as one of the first-string assassins of the neo-fascist "black international." Up until the October 1982 inauguration of Bolivian President Ziles Suazo, delle Chiaie was at the center of an international cocaine ring headquartered out of the Bolivian Interior Ministry, where he held an official post.

Among the individuals at present in jail in Italy for participation in Red Brigades terrorism is the international affairs director of the Italian socialist trade union federation, UIL, Luigi Scricciolo. Scricciolo has been charged with complicity in the kidnapping last year of U.S. General James Dozier in Verona, Italy, and with attempting to pass information, garnered from the interrogations of the General during his captivity, to officials of the Bulgarian government. This Bulgarian connection likely places Scricciolo in the center of the same circles involved in the Arsan ring and the attempted assassination of Pope John Paul II.

Just prior to his arrest early this year, Scricciolo traveled to Washington, D.C. where he was the personal guest of

AFL-CIO President Lane Kirkland, among others. This is not the only time that Kirkland has been directly implicated in the terrorist and drug command. During the mid-1970s, Kirkland was a central figure, along with New York "labor mediator" Theodore Kheel, in an offshore financial scam involving a modular housing company called Sterling-Homex and a bank called Republic National Bank. Republic National is the New York flagship bank of Edmond Safra, a Brazilian-based international financier who was trained in banking through another front for the P-2 apparatus, the Milan-based Banco Commerciale Italiano. Safra's international banking nexus has been linked by Israeli sources to both a South African and Ibero-American arms-smuggling network and to the kingdom of international black-operations finance, Meyer Lansky.

### Philby and Lovestone

But the common thread running through all of the above-mentioned "American connections" to the international East-West gun and drug smugglers network presently being dismantled through the efforts of the Italian magistracy and others is the filthy espionage network personified by Mr. Jay Lovestone. From Kissinger through Kirkland, the entire U.S.-based circle of "citizens above suspicion" who belong on the "Under Investigation"-list trace their political pedigree to Lovestone and the left-wing British Round Table apparatus that Lovestone has represented for over half a century.

A thorough investigation into the past and present activities of the "Lovestonites" represents perhaps the most efficient track of investigation into the U.S.A. connection.

From his days as the head of the League for Industrial Democracy chapter at City College of New York in the 1920s (LID was the official American offshoot of the British Fabian Society), through his founding of the Communist Party, U.S.A. in the mid-1920s, to his subsequent official expulsion from the CPUSA by Stalin, Lovestone has been one of the leading Anglo-Soviet agents, representing the American wing of the international Bukharinite apparatus that ran the Soviet Comintern throughout its existence. Even after Lovestone formally "repudiated the Bolshevik system" in the late 1930s, U.S. Military Intelligence investigations strongly pointed to Lovestone as the Western Hemispheric station chief of the OGPU, the predecessor to the Soviet KGB.

Throughout this period, Lovestone was one of the central figures in the International Ladies Garment Workers Union, a New York City-centered union that was openly associated with Lansky mentor Arnold Rothstein and later with Lansky's own Murder, Inc. operation. This garment-center operation was the fiefdom of both the Morgenthau and Lehman families. By the 1940s, the CPUSA-dominated ILGWU had spawned a Research Department which during the 1940s was absorbed into the wartime Office of Strategic Services (OSS) "Double-Cross" counter-espionage section. That section of the OSS was directly trained in England by Kim Philby and remained a point of contact for Philby and his associates

throughout the future Soviet defector's tenure as a top official at the British Embassy in Washington, D.C. Several members of the old OSS Double-Cross team remained longterm associates of Philby, including *New York Times* Middle East Bureau Chief, future CIA counterintelligence director, and lifelong Lovestone associate James Jesus Angleton.

With the close of World War II, the ILGWU-OSS cell—still dominated by Jay Lovestone—constituted the research and educational divisions of the American Federation of Labor. To this day, Jay Lovestone maintains an office within the inner executive suite of AFL-CIO President Lane Kirkland.

At the close of World War II, Lovestone established himself as the leading self-proclaimed anti-communist in the American labor movement. At that time, he was under reported continuous U.S. Military Intelligence investigation for his Soviet ties. During this post-war period, Lovestone was instrumental in the launching of the International Confederation of Free Trade Unions and the American Institute for Free Labor Development. Both organizations were dominated by Lovestone protégés, such as Irving Brown, who was recruited by Lovestone into the CPUSA during the 1920s.

It is this apparatus that has been at the center of the "inside" wrecking job on the U.S. national security establishment throughout the post-war years, and which has maintained longstanding ties to the Lansky-centered organized crime syndicate through the ILGWU and the ILGWU-dominated Anti-Defamation League (ADL) of B'nai Brith. The ADL has historically been a front for such British intelligence figures as the war-time New York City British Special Operations Executive director Sir William Stevenson and for the "Jewish" mob. Not coincidentally, the ADL's own bank, Sterling National Bank, is a defendant in a \$23 million lawsuit stemming from P-2 linked Michele Sindona's sinking of Franklin National Bank.

During the early 1950s, a second "Philbyite" cell was hatched at the Government Department of Harvard University under the sponsorship of Dr. William Yandell Elliott, a member of the wartime OSS-SOE-run "Mazzini Society" run by the Lovestonites involved in the "Operation Underworld" invasion of Sicily, and British intelligence's Sir Isaiah Berlin. Oxfordian Berlin was the homosexual lover of Anglo-Soviet agent Guy Bergess of Burgess-Maclean-Philby fame. The Harvard Government Department "cell" was comprised of Henry Kissinger, already tainted with an Anglo-Soviet intelligence pedigree through his war-time tenure in Germany, McGeorge Bundy of the Boston Brahmin family, and future Canadian Prime Minister Pierre Trudeau. All three of these individuals have in recent years been identified as associates of Philbyite circles working the other side of the British designed and manipulated "East-West" conflict.

It is this circle, spawned by the original League for Industrial Democracy-British Fabian Society project, that warrants special attention with regard to ongoing law enforcement efforts to shut down the East-West guns-for-drugs apparatus.

# From Azerbaijan region to New York: how the Mideast drug crop is moved

by Marilyn James

On Nov. 29 in Palermo, Sicily, 76 mafiosi—including members of the Gambino, Spatola, and Inzerrillo “families”—began their long-awaited trial on charges of drug trafficking and tax evasion. This is the largest trial of mafiosi in decades, made possible in large part by the valiant efforts of Italian Carabinieri General Dalla Chiesa, who was gunned down by his quarry last September in Palermo. Ironically, it was the General’s death which prompted Rome to grant to Dalla Chiesa’s successor, Special Magistrate Emmanuele De Francesco, permission to access financial and banking-transaction records that resulted in many of the indictments against the mafiosi. In this regard, in the Dec. 13 *New York* magazine, De Francesco commented, “Our mafiosi have learned from their American cousins how to launder and hide money, something which they never knew before.”

The trial in Sicily—one of several in the making—in conjunction with the ongoing investigation headed by Rome Magistrate Ilario Martella into what has been described as the largest gun-running apparatus apprehended to date, may result in the breaking of the so-called “Sicilian Connection.”

The Sicilian Connection under the control of the Gambino, Spatola, and Inzerrillo families is largely responsible for the refining and more importantly the distribution of high-purity heroin made from the opium grown in the Golden Crescent of the Middle East. According to the *New York* article, U.S. Customs officials are expecting an estimated 8,800 pounds of heroin to be smuggled into the United States this year; half will enter through New York’s waterfront and Kennedy International Airport.

## The Golden Crescent

The opium that feeds the Sicilian Connection comes from the opium poppy fields of Southwest Asia’s Golden Crescent—Iran, Afghanistan and Pakistan (see map)—and pri-

marily from the tribal-dominated Northwest Frontier Province of Pakistan. The Crescent shot into prominence when its 1978-79 harvest yielded more than 1,600 metric tons of opium; if totally converted, this one harvest had the potential to make 160 metric tons of pure heroin.

According to the United States Drug Enforcement Administration (DEA), smuggling operations among the Crescent countries are conducted by the nomadic Baluchi tribesmen. The poppy cultivation itself and limited clandestine opiate refining is carried out by the Pathan tribesmen of the Northwest Frontier Province, and in western Iran by ethnic Kurds and Azerbaijanis. Smuggling of the opiates between Iran and Turkey is carried out by the Kurds and Azerbaijanis.

Two age-old smuggling routes are utilized by the traffickers: the northern route that skirts the northern border of Iran, along the Caspian Sea coast, west to Tabriz-Rezayieh and then onward to Turkey’s eastern provinces which are also populated by Kurds, as well as Armenians; and, the southern route which follows the major overland vehicle and train routes from the tri-border area of southeastern Iran through Teheran, where it then links up with the northern route. In either case, the primary destination is Turkey.

Although reports of tribal-run morphine base and heroin laboratories, particularly in the Northwest Frontier Province, are proliferating, the refineries in Turkey and Europe continue to dominate the scene. It was here that the refining process was developed to perfection during the heyday of the French Connection. In fact, once the poppy-cultivation potential of the Crescent was put to work, European chemists were reportedly deployed into the Northwest Frontier Province and Karachi, Pakistan to establish refineries capable of producing high-purity morphine base, a smaller-bulk version of the drug which facilitates its clandestine transit west. Final processing of the drug for the European and American addict populations



is left largely for the Turkish and Sicilian-controlled underground laboratories.

### **The Italians run the show**

Although the French Connection was broken in 1973, remnants survived, and were picked up and incorporated into the Sicilian-dominated organization. Evidence of this incorporation came after a number of very large and modern refineries were busted by Italian authorities in 1979 and 1980. Leading chemists of the French Connection, including the "granddaddy" of them all, Jean Jehan, were found to be running refineries in Milan, San Remo, Palermo, and Cereseto, leading European authorities to conclude that the French-Corsicans were back in business, but the Italians were running the show.

It is the French Connection-pioneered routes that are being used today to take the opiates out of Turkey, laying the groundwork as well for the renaissance of the Turkish "patrons" who were severely crippled by the 1972 Turkish opium ban.

### **The routes from Turkey**

Cars and trucks—many of them commercially registered to Transporte Internationale Routier (TIR)—leave the major staging area based in Istanbul, Turkey, making their way north to Sofia, Bulgaria, then into Yugoslavia on the main trans-Europe highway. At this juncture, they may cut over to Trieste, Italy or go directly to the refineries in southern France that stretch from Nice to Marseilles. But most continue across the Austrian border at Spielfeld, just north of Maribon, Yugoslavia and then split north again to Vienna to pick up the cross-Austrian autobahn; or diagonally crosscountry along Routes 112 and 113 to Salzburg. From here, it is straight to Munich, West Germany.

The other widely used route runs southwest over the southern Turkish border, through Syria and into Lebanon. However, political instabilities have led to this route being used to a lesser extent. Beirut continues to be a crossroads, with its ports and Swiss-modeled banking system, which is used by the traffickers for money-laundering and investment purposes.

West Germany is a major market for the Turkish traffickers, and Munich plays an important role. The smugglers use the route that traverses the Balkans, but they also smuggle in the drugs by way of regularly scheduled commercial aircraft operating between Istanbul and Munich. The West German city has a very large Turkish gastarbieter (guestworker) population, thus facilitating the "human wave" or "mule system" for smuggling drugs into the Federal Republic and consumer goods back into Turkey.

It should be noted that the Turks are also moving into the Chinese secret-society-controlled base in Amsterdam, where there is now a burgeoning Turkish Gastarbeiter population as well. The Turks have not displaced the Southeast Asian

Golden Triangle traffickers yet, but the former are said to be gaining fast.

### **The Bulgarian connection**

Bulgaria plays a crucial role in both the drug and weapons trafficking. At the center of such operations in Bulgaria is a spooky agency known as Kintex, first brought to U.S. attention when a team of investigative reporters from the Long Island daily *Newsday* wrote its prize-winning series, "The Heroin Trail," in 1974. Kintex has been described as a semi-official agency of the Bulgarian government designed to promote trade and regulate imports. Since the 1970s, however, Bulgarian officials have alternately confirmed and denied its existence. Kintex has been the subject of several investigations and congressional inquiries in the United States, each ending in a dead end, since Bulgarian officials have refused to cooperate, substituting protests and righteous indignation for answers to hard questions about Kintex.

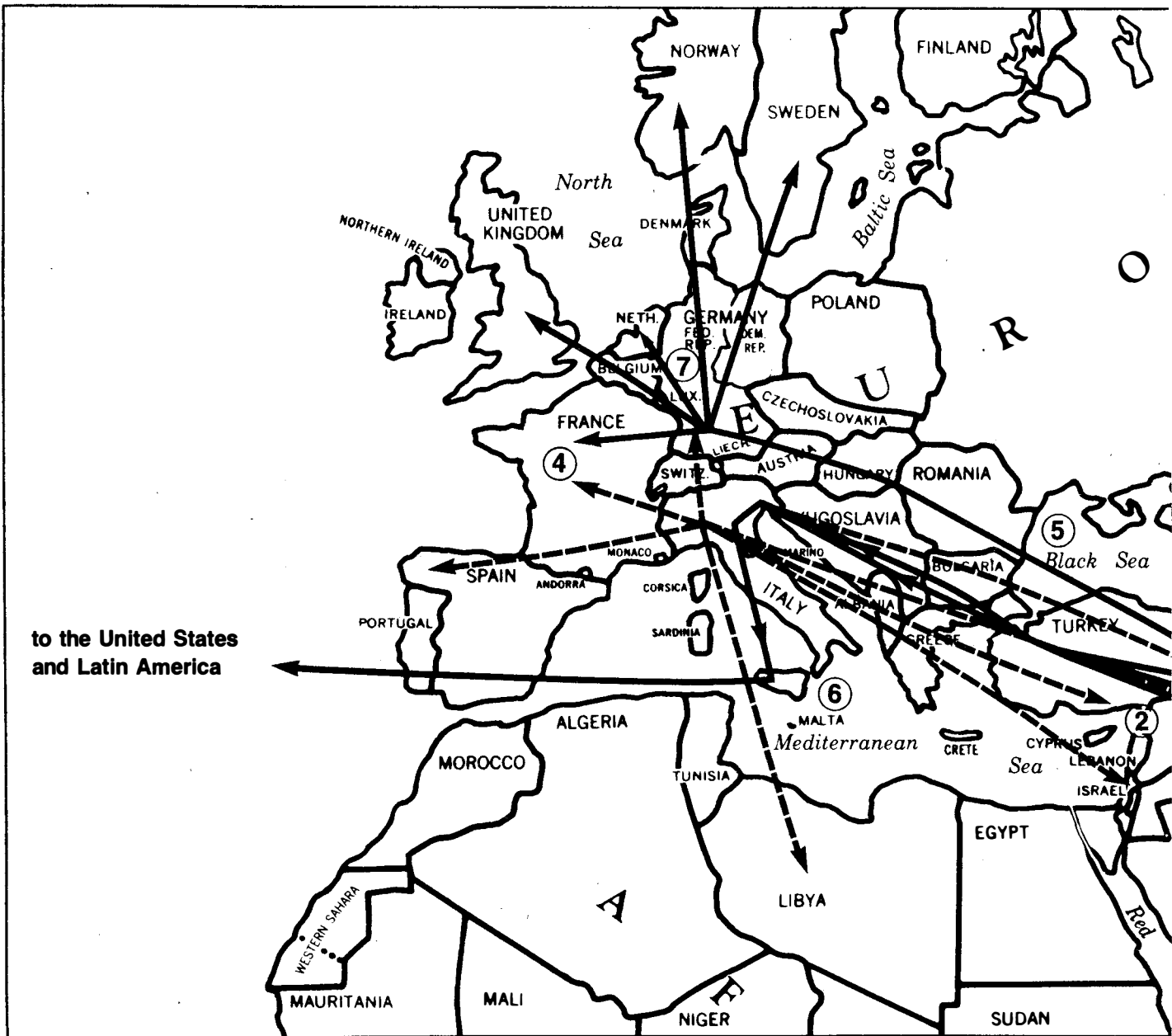
Based in Sofia, the Kintex operation appears to include warehousing facilities, and, with official sanction from the Bulgarian government, functions as the primary point of mediation between the Turkish drug and gun runners and related black-market traffickers and the Bulgarian government. Kintex is also believed to have storage facilities in the Bulgarian port areas along the Black Sea.

TIR vehicles, commercially registered vehicles covered by an international treaty among the Common Market nation members, also figure in the drug trade networks. The agreement establishing uses of Triangle Internationale Routier vehicles was designed to facilitate trade and to protect perishable goods. It has, however, become a cover for contraband smuggling, as the TIRs are sealed by customs officials in the country of origin and proceed across border crossings uninspected. Unless customs or border police have advance knowledge of a drug shipment, the traffic volume is so heavy as to not allow for a search of every possibly suspect TIR vehicle.

### **Contraband transport by air and sea**

What has been described here are the primary land routes used by the drug and gun traffickers. It should be noted that commercial air and sea transportation also play an important role. Ships from Lebanon, Turkey, and Greece bring Crescent opiates to the refineries in Sicily and southern Italy as well as France. They may also carry finished products straight to the United States. Favorite entry points are the New York, New Jersey, and Baltimore ports. International airports, whether in the United States or Europe, are also likely points of entry.

These routes are well worn, having been allowed to function with impunity for decades as a result of political protection from "citizens above suspicion" in high places. Now, with the host of indictments, arrests, and trials in Italy, the "Connection" may finally be dealt a death blow.



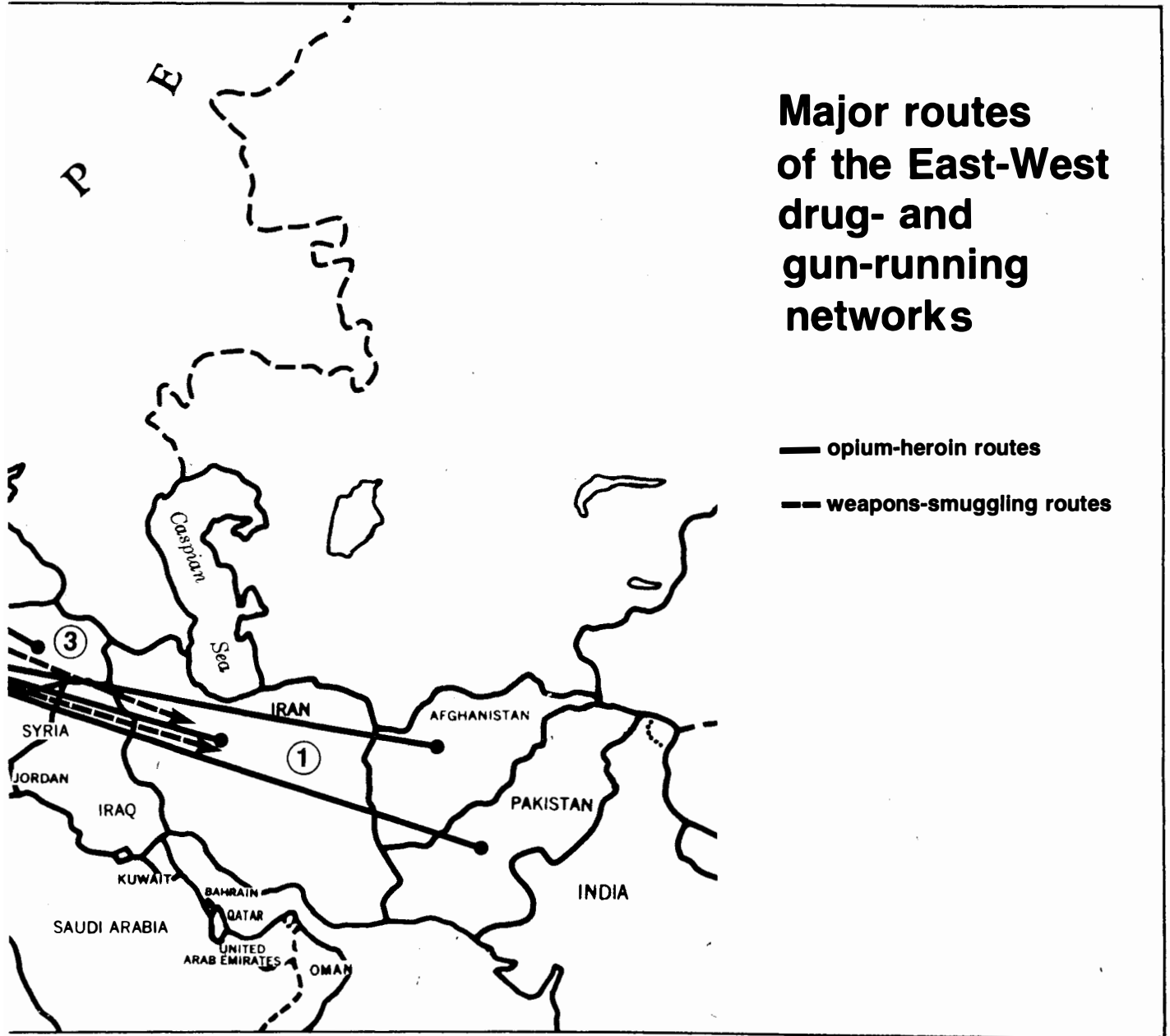
**1.** Pakistan, Iran, and Afghanistan make up the Golden Crescent, the world's leading opium-producing area. Since 1979 when Pakistani dictator Gen. Zia ul-Haq took power, Pakistan alone has become the world's leading source of raw opium. 55 percent of U.S. opium comes from Pakistan. Opium output has also greatly increased in Ayatollah Khomeini's Iran.

**2.** Turkey, Lebanon, and Syria are principal refining and transshipment centers for raw opium exported from the Golden Crescent. Major refineries for transforming opium into morphine base are found in eastern Turkey, a desolate region populated largely by the Kurdish minority group. Other major refining areas are located in the Syrian-occupied Bekaa Valley of southern Lebanon, from which refined heroin is shipped to Europe. The ports of Lebanon are prime sites for importing of black market guns, ammunition, and other military wares.

**3.** Eastern Turkey manufactures morphine base which is shipped into Italy, via Yugoslavia and Bulgaria, much of it making its way into the Trento-Bolzano-Verona triangle in northern Italy. Sofia, Bulgaria is a center of the illegal drug and gun mafia's activities and a transshipment point along this route. Trieste, Italy, a city on the Yugoslavian border, is a transshipment point for illegal weapons to the Mideast Golden Crescent via Turkey.

**4.** Milan, Italy was the base of Stipam International Transports, the center of "the biggest arms dealing network in the world," according to Judge Carlo Palermo, the Trento magistrate who ordered arrests of eight Stipam-linked individuals on Nov. 23. Stipam served as the channel through which huge quantities of arms were shipped to "left" and "right" terrorists within Italy, terrorist groupings throughout the rest of Europe, and to Muammar Qaddafi's Libya. Another large portion of these illegal arms ship-

## Major routes of the East-West drug- and gun-running networks



ments made its way to the Middle East. These deliveries were paid for in consignments of hard drugs into Italy, which were shipped through Sicily to markets in the United States.

**5.** Arms imported via Turkey into the Mideast and Golden Crescent move through northern Italy to the Bulgarian Black Sea ports of Varna and Borqaz, down to Istanbul then along the Black Sea coast via Trabzond and Samson into eastern Turkey with some arms passing into Iran through Turkish Kurdistan. Another entry point for illegal weapons into Turkey is Istanbul. The arms move through the straits to Ayvalik, and north to Izmir, a large illegal arms depot. A third route is out of Beirut to Iskanderun and then to Marseilles, France.

**6.** Sicily, particularly the city of Palermo and environs, is the site where liquefied morphine is made into heroin. It is also a trans-

shipment point for heroin refined in Lebanon. From Sicily, the drugs are moved into North America, where they are further diluted and packaged for street-level sales, and into South America, where Bolivia was the major point of entry before the recent crackdown by the new Bolivian government.

**7.** Munich is a central distribution point of eastern Turkey-supplied morphine base for northern Europe and Scandinavia, serving the heroin refineries which in turn serve such centers of retail drug traffic as Copenhagen's Christiania. Christiania, a youth counter-culture experiment in "alternative life styles," located in the center of Copenhagen, is off-limits to Danish police. Yet, it is known to be the central distribution point for drugs in Scandinavia, and much else falling under the category of "organized crime."

# The illicit global weapons traffic has a Turkey-Bulgaria axis point

by Nancy Coker

Years ago, as an exchange student living in Turkey, I visited the town of Ayvalik, a quaint and quiet resort on the Mediterranean coast just south of the Dardanelles and north of Izmir. The time of year was late fall. I remember how utterly placid the place was, how completely idyllic. And I remember too how the excited cries and shouts of us students on holiday shattered the silence that pervaded the area.

The stillness of Ayvalik made that town a perfect heaven, not merely for vacationers, but for gun smugglers as well. For in the 1970s, Ayvalik was to become one of the biggest depots for illegal arms shipments into Turkey, primarily from Bulgaria, but also from Italy, Spain, France, and Czechoslovakia. Everything from handguns and grenades to Leopard battle tanks, Cobra helicopters, and laser-based guidance systems found its way into Ayvalik and dozens of other secluded, out-of-the-way spots along the Mediterranean and Black Sea coasts, for use by terrorists inside Turkey of both "left" and "right" persuasion, or for transshipment to terrorist units elsewhere in the Middle East.

The torrential flow of weapons into and through Turkey is but the reverse flow of the international drug trade. As both Turkish and Italian investigators are discovering, this illicit guns-for-drugs trafficking is run by a "Mediterranean mafia" made up of underworld criminals as well as "individuals above suspicion"—politicians, bankers, and other public figures. The networks of this mafia stretch from Lebanon, Egypt, Israel, Syria, and Iran, to Turkey, Bulgaria, Greece, and Italy. It is with this drugs-weapons traffic that international terrorism nourishes itself, and on which the mafia thrives—to the tune of hundreds of millions of dollars each year.

How can a black market of such immense proportions exist? Only with the complicity of key state authorities, major corporations, and banking houses, which, from the top, are actively facilitating the illegal trafficking or which, for a price, look the other way as dope and weapons go in and out of their country.

For example, Italian investigators have uncovered the role of Stipam International Transports, a Milan-based firm responsible for conducting huge quantities of arms into the

Middle East in exchange for drugs, in cooperation with the Italian and Turkish mafias.

Italian authorities are also looking into the role played by Banco Ambrosiano, Italy's largest privately owned bank, in the diversion of American-made weapons from Israel to Iran, in exchange for the delivery of Iranian oil to Israel. The effects of this secret transaction, in which the Kissinger-dominated State Department is known to be complicit, have not been insignificant: the infusion of U.S. arms into Iran from Israel has galvanized Khomeini's war-and-destabilization drive in the Persian Gulf, while Iranian oil has fueled—literally—Israel's invasion of Lebanon.

Now, investigators in Italy, with the help of Turkish officials, are closing in on another important angle: the Turkish-Bulgarian organized crime connection, and its interface with the Italian mafia.

## Agça and Antonov

When Italian police arrested Serge Ivanov Antonov, a Bulgarian tourism official, in Rome Nov. 25 for his suspected role in last year's assassination attempt on Pope John Paul II, a crucial piece of the international terrorism and organized crime apparatus was dramatically brought to light.

Antonov worked out of the Rome offices of Balkan Tourist, the travel agency of the Bulgarian national airline. Balkan Tourist shares offices with the commercial attaché of the Bulgarian Embassy in Rome, who is one of two other Bulgarian officials now being sought by Italian police in connection with the attempted murder of the Pope. According to Italian and Turkish press accounts, Antonov was in close touch with Mehmet Ali Agça, the would-be killer of the Pope, prior to Agça's May 13, 1981 attack. There is evidence that it was Antonov who reserved the hotel room in which Agça stayed while in Rome, and that on the day of the hit Antonov was in St. Peter's Square with Agça.

As was revealed shortly after the assassination attempt, Mehmet Ali Agça spent considerable time in Bulgaria after his escape from a Turkish prison in 1980. In fact, it was while Agça was staying in the Bulgarian capital of Sofia at

the Hotel Vitosa that he was offered 3 million deutschmarks to kill the Pope by leading Turkish mobster Bekir Celenk, who was staying at the same hotel. (Celenk, who is wanted by both the Italian and Turkish police, is currently being safehoused in Bulgaria.) Also in Sofia at the same time was Abuzer Ugurlu, a godfather of the Turkish underworld who is part of the smuggling network tied to the Milan-based Stipam company. Now in jail, Ugurlu maintained an apartment in Sofia, and is known to be close friends with Celenk.

In Turkey, Ugurlu's base of operations is his home town of Malatya in the eastern part of the country. Significantly, Malatya is also Agca's home town.

Ugur Mumcu, a prominent Turkish journalist and professor, has presented evidence that the Bulgarian connection goes beyond Agca and that the terrorism that wracked Turkey until September 1980 when the military took power was a product of the international gun- and drug-running mafias operated out of Sofia.

In a 22-part series titled "Arms Smuggling: Yesterday and Today," which was published by the Turkish daily *Cumhuriyet* in March 1982, Mumcu exposes the Bulgarian connection and the role of Sofia as the strategic center for drug- and gun-smuggling operations based in both the East and the West.

In particular, Mumcu focuses on the Sofia-Varna-Istanbul triangle, revealing the intricate web of smugglers responsible for arranging the delivery of arms from Bulgaria to Turkey, as well as the distribution network inside Turkey.

Since taking power in 1980, the Turkish army has moved to crack down on this smuggling network. Hundreds of thousands of guns had flooded the country, and Turkey was on the brink of civil war. In the months preceding the military takeover, an average of 30 people were being killed each day in shoot-outs between heavily armed leftist and rightist militants. Both sides were receiving their weapons from the same source.

### **The Kintex connection**

The central clearing house for all smuggling operations into and out of Bulgaria is Kintex, a state-owned export-import company located on Anton Ivanov St. in Sofia. Kintex, Mumcu reveals, works closely with other semi-official Bulgarian institutions, such as Dap-Ik, Interkommers, and Balkan Tourist—the latter being the employer of Antonov, the suspected accomplice of Agca!

In 1974, Turkish law-enforcement officials in Ankara and Istanbul complained that Kintex was operating as a major exchange facility for Turkish heroine and morphine base in exchange for whiskey, cigarettes, and arms. According to Swedish press accounts at the time, the Turkish officials were told to "cool it" when the Bulgarian Embassy in Washington warned that "too much talk about Kintex could jeopardize Bulgarian-American police collaboration."

According to the information presented by Mumcu, arms

reach Turkey through a variety of routes: 1) overland from Bulgaria via long-distance TIR trailer trucks, or by sea from the Bulgarian ports of Varna and Burgaz to Istanbul and other entry points along the Black Sea and Mediterranean coastline; 2) by sea from Beirut to the Turkish port of Iskenderun, Kilis, and Gaziantep; 3) by sea from Italy, Spain, and France.

This last route poses one slight problem. In a letter to Mumcu, convicted Turkish smuggler Ibrahim Telemen explained: "Italy, Spain, and France require licenses (end-user certificates) from people who buy arms. So I, as Abuzer Ugurlu's coordinator of smuggling from those countries, was responsible for coming up with the licenses. I would purchase them, for \$25,000 to \$30,000 each, from the United Arab Emirates or from various African countries. With the licenses in hand, I would then acquire tens of thousands of all kinds of weapons and millions of rounds of ammunition. I would then load them on ships as if they were being sent to the U.A.E. or wherever. But once the ship was on the high seas, the boats sailed for Istanbul and the weapons were dumped at Haydarpasa docks with the cooperation of the Haydarpasa chief customs officer named Galip and his men. Every month, between 15,000 and 20,000 weapons entered Turkey through Haydarpasa."

The smuggled weapons reflected a diversity of origins, having been made in both Warsaw Pact as well as NATO countries. Once inside Turkey, the arms were passed on to both leftist and rightist organizations. For example, in the Samsun area in northern Turkey, the chief of smuggling operations there, Ali Acmak, had as his customers both the local branch of the neo-Nazi National Action Party of Alparslan Turkes, and its arch rival, the revolutionary Dev-Yol organization. As Mumcu notes, the arming of both sides by the same source "turns on its head traditional thinking patterns" about "left" and "right" politics.

In his series, Mumcu describes a tight chain of command between Bulgaria and Turkey, presided over by the now-jailed Abuzer Ugurlu, a Kurd. Writes Mumcu: "Osman Imamoglu (of the Ugurlu "family") buys arms directly from Bulgaria. The connection is made by Avni Karadurmus (a top operative of Abuzer Ugurlu). The deals are made directly with Bulgarian authorities by exchanging code words. Saban Vezir, who lives in Bulgaria, runs the operation there. Inside Turkey, Ali Cakmak handles distribution in the Samsun area. Sami Karamanoglu runs the operation in the province of Ordu. . . ." And so on.

Much of this network has been crippled by Turkish authorities, just as it is now being crippled in Italy. But the situation is not yet fully under control. Pulling the plug on the Bulgarian connection is perhaps the key.

Mumcu, I am certain, will be the first one to agree to that. "It is a shame for a socialist country," said Mumcu referring to Bulgaria in a recent interview with the Italian daily *La Repubblica*. "I am a leftist, but such revelations as I have made must be made by leftists."

# Italy's magistracy begins to unmask the international 'Magician' conspiracy

by Vivian Freyre Zoakos, European Editor

Since the May 1978 assassination of their former Prime Minister, Aldo Moro, the Italian magistracy has undertaken a series of investigations which, in their totality, have done more than any other *publicized* national intelligence investigations to get to the roots of how the world actually works.

In 1977, the president of Cyprus spoke of the fact that there exists a group of what he termed "international Magicians" whose enormous power shaped world events. These "international Magicians" have gone under many names at different times. Sometimes it has been "Murder, Inc." or "Dope, Inc." In the period of the 1963 Kennedy assassination, Murder, Inc. was best known to insiders as Permindex, the name of the (then) Italian-based institution that centralized their most important operational capabilities. It was Permindex that murdered President John Kennedy.

Permindex had been earlier forced to leave France when President de Gaulle's intelligence learned it was behind the 33 attempts against his life.

The Magicians' networks comprise geographical areas in East and West, North and South, irrespective of the particular ideology practiced by specific national regimes. It is they, through the enormous power they share in their Hobbesian alliance, who have too often controlled the policies and destinies of nations. It was they who engineered the 1973 Middle East war, and thereafter precipitated the gigantic Oil Hoax that in 1974 led to a 400 percent increase of the world oil price and sparked the current world-wide economic depression.

Nothing of this is known by even well-informed individuals, because there are few areas as tightly controlled by the Magicians/Dope, Inc. as is that of the press and media. The *New York Times*, for example, is not a newspaper but an intelligence center and outlet (see National section).

Murder, Inc.'s domination over entire aspects of national intelligence and legal authorities is such that it was recently denounced by the Italian magistracy after their work forced them to publicly confront the blatant coverups perpetrated as a matter of course by their supposed colleagues in the intelligence community.

Judge Francesco Simeoni, Chief Prosecutor of Trento, Italy, denounced the intelligence services at a Nov. 26 press conference for allowing one of the largest drugs-for-weapons rings in the world to operate undisturbed for nearly 20 years

under their very noses and "almost in the light of day."

In New York, District Attorney Robert Morgenthau is another example of a high law-enforcement office being occupied by a leading member of Murder, Inc. Morgenthau, who protects and helps oversee the gigantic drug traffic into New York City, is the son of the man who advocated the reduction of Germany to a state of rural idiocy after the last world war. His grandfather, while U.S. ambassador in Istanbul, helped put together the infamous Parvus plan to bring about the similar destruction of the U.S.S.R.

## The terrorist connection

One of the Magicians' house "intellectuals," author Claire Sterling, has become famous as the exponent of the thesis that all terrorism comes directly from the East via Soviet intelligence (KGB) and the intelligence services of the other Eastern European countries.

Terrorism from the East? Of course!

The Italian magistrates are in the process of proving this in their investigations of the May 13, 1981 shooting of Pope John Paul II. But their investigations have also shown that the Bulgarian intelligence community participated in this operation in collusion with Turkish, Syrian, and Italian mafias; that the Bulgarians are part of a massive ring that imports opium from the Golden Crescent for shipment all over the world in exchange for payment in the form of the most sophisticated weapons available; that British Petroleum and Royal Dutch Shell have played central roles in at least one of these dirty operations, which involved both Israel and Khomeini's Iran; that some of the most prestigious Western, including Swiss, banking houses launder the dirty money flows from the drug traffic, and that the cultist Freemasons regroup many of the leaders of these operations.

With their small half truths, Sterling and her ilk tell nothing but lies. One of her colleagues in terrorism analysis, Michael Ledeen of the Haig and now Shultz State Department, is another good case in point. Ledeen last year was proven by the Italians to be the long-time recipient of money from the Propaganda-2 Freemasonic lodge. The P-2 lodge, which provided Italy with its biggest post-war scandal once its activities and membership list were revealed, was shown to be heading all branches of the intelligence services and the military. Its members and collaborators were also heavily

represented at the highest levels of fascist and communist terrorism, finance and politics. Among them was Henry Kissinger, partly via his participation in the P-2 offshoot, the Monte Carlo Lodge.

As for Bulgaria itself, despite its being touted as the most orthodox of the East bloc countries, it is and has been the home of outrageous kookery throughout the twentieth century and long prior to that. Cultism, kookery, and terrorism are the invariable hallmarks of Murder, Inc.

In the city of Sofia, Bulgarian secret service agents consort with Turkish gangsters. One of the latter, the wanted Turkish mafioso and drug dealer Bekir Celenk, chose Sofia's Hotel Vistosa for his meeting place with Mehmet Ali Agca, offering Agca 3 million deutschmarks as payment for murdering Pope John Paul II. Agca only narrowly missed collecting payment when his May 1981 attempt failed.

Also in Sofia, Chamoun from Beirut will rendezvous with his partners on the board of Litex Bank, a subsidiary of the Bulgarian Foreign Trade Bank cited in Italian investigations as the core protector of dope and weapons smugglers in the entire Balkan, Mediterranean area. Noted American entrepreneur and oil man, Armand Hammer, also passes through on his way to the Black Sea resort town of Verna—to found the International Council on New Initiatives for East-West Cooperation. His associates in this enterprise are Club of Rome founder Aurelio Peccei and Dzhermen Gvishiani, the Soviet Georgian systems analyst who is genocidalist Peccei's long-time collaborator.

But Bulgaria's institutionalized kookery is the most solidly damning evidence in the eyes of those who know some fundamental facts about the International Magicians.

*Sofia* means Divine Wisdom, which the worship of St. Sophia is supposed to exalt. But as Oxford specialist in Orthodoxy Nikolai Zernov, organizer of the Russian Orthodox-Anglican Church joint Fellowship of St. Alban and St. Sergius, said in *The Russian Religious Renaissance of the Twentieth Century*, there was a strong tendency among the Slavic Orthodox to dedicate their cathedrals to St. Sophia not as Divine Wisdom, but as *Theotokos*, Mother of God. The adoration of the mother served as a means to continue pagan mother cults to such an extent that one of the Russian Orthodox figures praised by Zernov would confide to a friend, "I am praying to God, but not to your God; I am praying to Osiris", the Egyptian god, dismembered husband of the mother-goddess Isis.

At the very foundation of the Freemasonic cultist mythos lies the millennia-old Isis-Osiris, Great Mother beliefs. Knowledge of this is supposed to represent the most profound "inner secrets" of Freemasonry. This went on also in Sofia, right into the 20th century. The official cultural life of communist Bulgaria came under the sway of mother-cultism in the 1970s, presided over by Lyudmila Zhivkova, head of the government Committee on Art and Culture until she died last year. She was also the daughter of Todor Zhivkov, head of the ruling Bulgarian Communist Party. She herself was a

member of the party's Politburo. She also received at least some of her kook training at St. Anthony's College, Oxford, where she specialized in cultural history.

In 1978 she initiated a program to honor "Titans of the Spirit," beginning with Nikolai Konstantinovich Roerich (1874-1947), the Russian painter and "mystic." A member of the notorious Madama Blavatski's Theosophical Society, Roerich enshrined the central figure of "The Mother of the World" in his work. His followers say that the Mother's appearance—Roerich painted her many times—marks the beginning of "the era of women," the onset of a "feminine principle" in world history.

As always in the past and throughout the Magicians' networks all over the world, the "era of woman" verbiage stands for de-industrialization, an anti-scientific attitude used to foster genocidalist policies such as that preached by the Club of Rome, Robert McNamara, and so forth.

This whole morass is what is now being unravelled,—if only at a still preliminary stage—by the Italian investigations into the Agca shooting of Pope John Paul.

The Middle Eastern side of the Italian magistrates' inquiries also sheds light onto the problems in Eastern Europe and the Soviet Union itself, although the evidence thus far cited by the magistrates involves threads which if pursued will lead to still higher echelons of the international conspiracy.

Chamoun, the powerful Lebanese warlord and joint British-KGB asset, is a member of the Bulgarian Litex Bank, one of the Bulgarian outfits cited as being at the center of the drugs-for-weapons traffic just busted in Milan by the magistrates. But Chamoun is a part of the tightly knit Mediterranean mafia in which the Saudi (actually Turkish) "financier" Adnan Khashoggi is an illustrious and internationally-connected member. When doing business in New York, for example, Khashoggi always uses the services of notorious mob lawyer Roy Cohn who himself works closely with District Attorney Robert Morgenthau.

Chamoun's multiple ties to the Soviet KGB run through his position as a board member of the U.S.S.R.'s London Norodny Bank by way of his Byblos Bank, which is affiliated with the Bulgarian Litex bank. The Soviets' London Norodny had, during the period of its formal existence, owned a piece of the old dirty money drug bank, Intrabank (the Arab equivalent of Bernie Cornfeld's Investors Overseas Services). Through various routes, financier Khashoggi was also involved in Intrabank, including his participation in the so-called liquidation of the bank which, as in the parallel case of the IOS, was only reorganized under a different format. The actual institution that oversaw Intrabank's reorganization in 1971-1972, however, was J. P. Morgan. To this day, J. P. Morgan Overseas still owns 41.9 percent of the Bank al Meshreq, one of the major constituent parts of Intrabank. As one Middle East economics reporter put it, the reorganization simply consisted of the "big boys" integrating Intrabank fully into the multinational banking system.

## South Americans to Reagan: 'development, or debt bomb'

by Gretchen Small

President Reagan's trip to Ibero-America Dec. 1-4 has set a new agenda for U.S. relations with its southern neighbors, opening up the possibility of a grand reversal of the collapse of U.S. leadership and prestige within the Americas which followed last spring's Malvinas Islands war. On all stops, in Brazil, Colombia, and Central America, Ibero-American leaders discussed the need for a return to the economics of growth, and placed the issues of trade, interest rates, and above all the region's unsupportable debt burden at the center of U.S.-Ibero-American relations.

Reagan listened to what he heard. The initiatives required remain to be agreed upon. But Washington insiders agree, Ibero-America is now a number-one foreign policy concern for the United States, and the White House plans to take the lead. Anglophiles at the State Department are already scrambling to pull Ibero-America policy out of the President's hands and back into those of the "experts" who have spent the past 10 years wrecking it. But all reports agree, the President enjoyed his visit south, took criticism and discussion in the spirit with which it was offered, and plans to regain leadership in this area. Some surprises are in store.

### The Colombian trip

It was Colombia's President Belisario Betancur who most forthrightly presented to President Reagan a way out of the present economic calamity. In his concluding toast to President Reagan at their state luncheon in Bogota Dec. 3, Betancur called on his American guest to join with Ibero-America in arranging a collective renegotiation of the area's unpayable \$300 billion in foreign debt. Betancur proposed that the United States and Ibero-America draw up "cooperative accords" to deal with the debt crisis, suggesting that as one part of those

accords be included the establishment of an upper limit on the share of export earnings which any one nation could be obliged to siphon into debt service.

Sixty percent of all export earnings now go to pay debt service, Betancur stated; "every child in the Americas is born owing 300 dollars."

The Colombian President emphasized that he spoke for all of Ibero-America. "A sense of solidarity forces us to speak of the magnitude and of the consequences of Latin America's foreign debt, even though Colombia does not suffer so dramatically that way. . . . I am speaking with the coarse frankness of the people of my land. . . . I believe you want to hear the truth from the real friends of the United States": U.S. financial policies have "caused frustration and irreparable harm" in Ibero-America.

Belisario Betancur told President Reagan what a growing number of developing-sector leaders have been discussing among themselves: the debt is unpayable because the world monetary system is bankrupt. "Latin America is illiquid, but not insolvent," the Colombian President explained. "Latin America can pay, and wants to pay, but faced with the abyss of a brutal 'adjustment' in their economy because they lack the support of the financial world in receiving liquidity, Latin America could see itself dragged by social forces to declare itself insolvent, unleashing reactions which no one wants.

"For this reason, it is time to propose a renegotiation [of the debts] which takes into account the development of the economy of the debtor. If payment is to be assured," Betancur said, "an economic emergency program" must be agreed on.

President Betancur thus put back on the agenda what Mexican President López Portillo so forcefully stated in his United Nations address Oct. 1, the content of Lyndon La-



Rouche's proposal for a new "Operation Juarez" in the Americas: Convert Ibero-America's \$300 billion debt into long-term obligations, issue billions of dollars of new credits for trade and "great enterprises" of infrastructural development, and then rehire every unemployed person in the United States to man U.S. factories fulfilling export orders.

"I want to let you know how much I appreciate your frankness today," President Reagan replied in his toast, reiterating that he had taken the decision to visit Ibero-America because he understood that misunderstandings arise when there are no contacts between the leaders who make decisions. "It is much easier to resolve problems when there are direct contacts." Reagan added that he hoped with his trip to "maintain the spirit of cooperation put in motion by President Roosevelt in 1934, and continued by President Kennedy in 1961," in hemispheric relations.

President Reagan's offer to train a Brazilian astronaut in the U.S. space shuttle program—the first internationalization of America's space program—and cooperate in developing Brazil's space program exemplifies the possibilities for joint cooperation in the Americas. Reagan's astronaut offer brought a standing ovation from an audience of 1,000 businessmen in São Paulo.

Blacked out of every American media report, along with Reagan's announcement about the joint space program, was his statement that Malthusian arguments are untenable in the face of the development shown by countries like Brazil. "To all those who proclaim the apocalypse, and they are everywhere, we have a message: the hope of the world lives here—in the New World—where tomorrow is built today, by courageous pioneers like yourselves," Reagan declared in his São Paulo address.

"We hear it said, in a world filled with political tensions, recession, poverty, energy problems, debts, high interest rates and inflation that there is little hope for a new era of growth and lasting prosperity. . . . I have lived a long time. I survived the world war and the economic depression. What most impressed me, beyond these terrible crises, was the infinite human courage to react, to struggle, and to find new cures and new solutions."

Most remarkable in Reagan's speech was his statement of a U.S. commitment to cooperate in "great projects" of development, and his praise for Brazil's "leadership and vision" in developing "daring projects like Itaipu, the biggest hydroelectric plan in the world." Reagan singled out Brazil's opening of the Amazon for development as exemplary of the "modern pioneer" spirit, and added, "Today I would like to propose to you an idea: train a Brazilian astronaut together with ours, so that Brazil and the U.S. could participate in a joint space shuttle mission—as partners in space."

## News blackout

The majority of what pass for newspapers in the United States exhibited fits of hysteria in their efforts to isolate the American population from the political potential created by

Reagan's trip. Burying the basic facts of the discussions in Colombia, the press called Betancur "hostile" and "scolding," and lied outright about the President's reception in Bogotá. Reagan's advocacy of economic "adjustments" and "discipline" were given prominent play, while his speech on the pioneer potential of the New World of the Americas went unreported.

Reagan's support for an International Monetary Fund austerity package for Brazil, a prominent feature of other speeches, contradicts, of course, his commitment to "great projects" like developing the Amazon, Itaipu, and a space program, for without a massive commitment of financial resources, none of those projects can continue in Brazil, much less be replicated throughout Ibero-America. But Betancur's call for President Reagan to join Ibero-America in forcing bankers and the governments of the advanced sector to sit down together to work out rational agreements which save the economies of the region, offers a way to overcome the financial crisis and to get on with economic development.

President Reagan held several meetings with Brazilian President Figueiredo during his visit, and an unscheduled, hour-long private meeting with Betancur.

As Betancur explained, the President's approach to the hemisphere has opened the door for cooperation. "This frank and cordial visit," he told Reagan, could "re-establish the terms of political exchange between the United States and Latin America that have deteriorated considerably ever since the still-unresolved problems of the Malvinas, in which the region was neglected."

Immediate cooperation on a war against drugs was also discussed in Colombia, at the initiative of Reagan. "I am determined to control and reduce drug consumption in my country. Progress that either of us makes will assist the other," he stated.

## Central America

In anticipation, Reagan's stops in Costa Rica and Honduras—where he also met the heads of state of El Salvador and Guatemala—were looked on as the most dangerous section of the trip for the American president. Anglo-Soviet networks working both "right" and "left" sides of the population war in that region have attempted to sink the United States into a new strategic quagmire with a "Central American trap" since the beginning of this administration.

President Reagan arrived at these last stops having heard sharp messages from the presidents of both Brazil and Colombia to the effect that American policy towards the region must change. Both Figueiredo and Betancur warned Reagan that intervention in the area would not be tolerated, and its problems should be addressed in the broader resolution of the economic problems of the region, not in the context of East-West conflict. President Figueiredo urged Reagan to accept the joint Mexican, Venezuelan, and Colombian offer to mediate resolutions to several flashpoints in Central America.

Betancur encouraged Reagan to replace the policies of

“pressure and isolation” with that of “indiscriminate assistance and an open dialogue” to the area, and appealed to Reagan to view the region as a question of right to life itself. “Our responsibility as heads of states does not allow us to remain unmoved by the daily openings of grave sites in the ground of our common geography: 30,000 graves in El Salvador, to mention only one nation, shock the drowsy conscience of leaders,” Betancur stated.

President Reagan showed some understanding of the dynamic of Central American bloodshed in his Dec. 4 five-minute radio address to the American population, taped from Central America. That region is caught between “false revolutionaries and false conservatives,” he explained.

## What the Presidents really told each other

*From a toast given by Colombian President Belisario Betancur during a luncheon for President Reagan in the Palacio Nariño Dec. 3:*

Mr. President, you are visiting Latin America at a time when it is experiencing its worst crisis of the last 50 years. At the end of 1982, our countries have seen their per capita income drop, unemployment and underemployment has reached 30 percent in some areas and foreign debt has reached \$700 million, meaning that of \$100 million derived from exports, 60 percent will be used to service that debt. Each Latin American child is born owing \$300. Meanwhile, an insane world is spending \$1 million every minute in arming for death. To these factors must be added the disrupters of the political peace of the region and the nation, which Colombia is recovering through a broad amnesty and rehabilitation of the areas of conflict, because the struggle against subversion is intermingled with the struggle against underdevelopment in our region.

A little over 20 years ago, President Kennedy also visited Latin America and, confirming these same problems in his stopovers, he created the Alliance for Progress. Although its intentions were greater than its results, the continent set its slight resources in order, planned its objectives and began to discipline itself in order to better channel foreign aid. I hope that once you are back in your great country, Mr. President, specific decisions will be made similar to the results of that tour. . . .

Our sense of responsibility as a head of state does not allow us to remain unmoved by the daily opening of grave sites in the ground of our common people and geography.

Thirty thousand graves in El Salvador, to mention only a single nation, shock the drowsy conscience of leaders.

We cannot debate calmly on abstract problems of hemispheric organizations when parts of Central America are on fire with wars caused by social injustice or instigated by persons that are alien to those areas.

Therefore, while speaking of the urgent need for a new social alliance without dependence, I also state that the region needs peace for cooperation and cooperation for peace.

The governments' concern is focused on the somber effects that the world economy has on our weak economies, because these effects are endured directly by our most dispossessed classes.

I spoke, Mr. President, of a new social alliance. We want fair payment for our products and we would like to cooperate and advance together. It would be a serious error if, as in the past, the United States were to see a potential enemy or a factor of exclusion in intra-Latin American cooperation. If to the decline in the price of raw materials one adds a protectionist policy against our products, as denounced by former Presidents Carter and Ford and even by your own envoy to international negotiations, Mr. President, the panorama for the Latin American and Caribbean peoples will become gloomier every day, because those practices bring frustration and do us irreparable harm. . . .

A feeling of solidarity requires that we talk about the magnitude and consequences of Latin America's foreign debt. Although Colombia is not experiencing this situation as dramatically as others, it cannot leave its trade balance unprotected. The international banks encouraged the flow of capital to Latin America and to other regions, imprudently contributing to the area's indebtedness. Now that the river of dollars has been stopped, the situation is worse. Thus it is time to call for a renegotiation that takes the development of the debtor country's economy into account if one wants to ensure that it meets its commitments—which is, of course, in the interest of the creditor banking community. In this regard, debt servicing, including that which may be derived from cooperation agreements, should not exceed a certain percentage of the value of annual exports.

There should also be talk, Mr. President, of an emergency plan that involves a collection of instruments at the disposal of the countries to allow them to confront the specific nature of their own problems. Latin America is without liquidity, but it is not insolvent. Latin America can pay and wants to pay, but faced with the abyss of a brutal adjustment in its economy, because it does not have the financial world's support for recovering its liquidity, it might be compelled by social forces to declare bankruptcy, thereby producing reactions that no one desires and that no one uses as an argument in our region. . . .

Mr. President, I know that you understand the straightforwardness of my remarks, which have the unpolished frankness that characterizes the people of my land, for I know that this frankness matches your own, which has been the

key to your great career and because I also understand that you want to hear the truth of a conscientious friend of the United States.

This frank and friendly visit could restore the terms of political exchange between the United States and Latin America, which became deteriorated over the still unresolved problem of the Malvinas, in which the region was abandoned.

Thanks to your decision to make this visit, I am honored to recognize that this has not been the monologue of the poor brother to his rich brother or of the conditional friend to an unconditional friend because we are true friends according to our own consciences. This has been an objective and respectful analysis between equals in the international juridical community. For this reason, we understand that we must make nonalignment our philosophy in order to seek our own identity. . . .

*Excerpts from Mr. Reagan's address to 1,000 businessmen, sponsored by the National Industries Confederation in São Paulo, Dec. 2:*

We hear said, in a world filled with political tensions, recession, poverty, energy problems, debts, high interest rates, and inflation that there is little hope for a new era of growth and lasting prosperity. . . . I survived the world wars and the economic depression. What most impressed me, beyond those terrible crises, was the infinite human courage to react, to struggle, and to find new cures and new solutions.

To all those who proclaim the apocalypse—and they are everywhere—we have a message: the hope of the world lives here—in the New World—where tomorrow is built today, by courageous pioneers like yourselves—persons who believe in each other and who never lost faith in the future. . . .

The great republics of South and North and Central America have a virtually unlimited potential for economic development and human realization. We have a total population of more than 600 million people. Our continents and islands boast of vast reserves of food and raw materials; the markets of the Americas produce high living standards; we offer hope to oppressed and impoverished peoples. We are nations of immigrants. . . .

When we, in the United States, turn our eyes on Brazil, we see:

- The success of an economy which grew 4 times in 20 years, and more than doubled its per capita income;
- The promise of tomorrow in the youth of Brazil, with half its population below 21 and becoming more educated every year;
- A confident answer to the challenge of the 80s, diversifying its economy and exports with new markets and technologies. Leadership and vision in daring projects like Itaipu, the biggest hydroelectric plant in the world, and a dynamic effort of energy substitution. . . .
- Also, we see the modern pioneers of Brazil exploring a frontier as challenging as that of the Amazon: space. Today,

I would like to propose to you an idea: train a Brazilian astronaut together with ours, so that Brazil and the U.S. could one day participate in a joint space shuttle mission—as partners in space.

[Brazil has been a growing exporter.] Its potential is enormous. Some countries in the industrialized world view its success with apprehension. . . . They fear that one sector after another will be de-industrialized and redistributed to the developing world. . . . You just have to look at U.S. exports to developing countries in this hemisphere, which have increased six times in a decade, in the same proportion as imports, to prove the new competition brought new opportunities. . . .

Our present crisis is not between North and South, but between the universal aspirations for growth and the longest world recession in the post-war period.

*From Brazilian President Figueiredo's welcoming statement, at the Brasília air force base on Nov. 30:*

Your Excellency: You have now arrived in Brazil and therefore are on Latin American soil. Today, more than ever it seems paramount to reflect on the course of co-existence among the countries of the hemisphere. The challenges of the present are so serious and dramatic that the formulas of the past are no longer adequate to cope with them. . . . Inter-American relations are characterized by the plurality of perceptions and interests which mark the life of the West as a whole. . . . We are certain that, on the international plane, our friends will not fail us, as they did not fail us in the past, nor we them.

*From President Figueiredo's speech at a Dec. 1 banquet.*

We must confront together the problems which Latin America suffers. However, we have to go to their social and economic roots, since pluralist and democratic solutions cannot prosper in a context of poverty and social instability, where each country feels its economic security threatened. . . .

Brazil's apprehension over Central America's deteriorated political situation. We firmly believe that in that region, as elsewhere, the rights of peoples and the sovereignty of governments must be respected free from foreign pressures and interference. We place high hopes on the contribution which Latin American countries such as Mexico, Venezuela, and Colombia can make to calm down spirits and seek democratic, free solutions. Apart from having invaluable political experiences, these countries have been traditionally present in that region. . . .

The developing countries, among them Brazil, are the ones who suffer most from the contraction of world trade, the constriction of international financing and economic stagnation on a global scale. . . . We would like to see Brazil equitably rewarded for the contribution it is making to the international economy.

# Ibero-Americans launch mass strikes against the International Monetary Fund

by Cynthia Rush

Those international bankers and Washington, D.C. monetarists who gloated last month that Mexico, Argentina, and Brazil had been “humbled” into going to the International Monetary Fund (IMF) to resolve their acute indebtedness, have had their illusions shattered. In country after country, workers, peasants, and broader political strata have begun to rebel against the policies of austerity and national disintegration demanded by the IMF as a condition for “creditworthy.” status.

As *EIR* has reported, the IMF’s recent deals with the continent’s major debtors merely paper over the profound financial crisis facing these nations. But the continent’s bankruptcy is such that the papering-over job has lasted only a few weeks.

## Argentina’s ‘hot December’

Argentina has become unmistakably volatile. The trade-union movement and the population at large, having been subjected to violent monetarism as well as widespread repression, jailings and assassination of labor officials and political leaders, has put its foot down against any continuation of these policies.

On Dec. 6, under the leadership of the two factions of the Peronist CGT trade-union federation—the CGT-Azopardo and CGT-Brasil—between 5 and 6 million workers joined in a 24-hour general strike to demand immediate revival of the national economy, wage increases, support payments for the nation’s 1.2 million unemployed—and an explanation of the quadrupling of Argentina’s foreign debt under monetarist Finance Minister José Martínez de Hoz in 1976-81.

The explicit target of the strike was IMF policy: “We cannot ask our people to be patient any longer,” declared a Dec. 5 statement from the CGT-Azopardo group. The statement attacked the military junta for “opting, at the instigation of supranational interests who are attempting to recolonize us, for the continuation of an economic and social model that has brought us to the brink of chaos and national

disintegration.”

Another statement issued by a CGT affiliate, the Federation of Commerce Workers, called on the population to “repudiate agreements signed behind our backs to pay the foreign debt by starving the population with miserable wages.” There must be a “unity of all forces,” the statement urged, “to halt a policy of privation and economic paralysis secretly agreed on with the International Monetary Fund.”

Sources in Buenos Aires confirm the magnitude of the strike: “There has never been anything like this,” one observer noted. “The entire country was shut down.”

The Dec. 6 strike also had the support of the *Multipartidaria*, the coalition of Argentina’s five major political parties which is planning its own mass demonstration in Buenos Aires to demand a return to civilian democratic rule. With an expected turnout of 100,000 people, the Dec. 16 demonstration will be the high point of what has been dubbed Argentina’s “hot December.”

## Colombia in the vanguard

In Colombia, with support from the associates of *EIR* founder Lyndon LaRouche in the Andean Labor Party (PLAN), the leadership of the Union of Colombian Workers (UTC) has mobilized the labor movement around a program of debt renegotiations, bank nationalization, and accelerated industrialization. According to UTC Vice-President Jorge Carrillo, who is also a member of the Club of Life, that is the only appropriate response to an oligarchy that demands worker “sacrifice” to resolve a financial crisis provoked by that oligarchy’s usury and speculative practices.

On Dec. 9, members of all four of Colombia’s trade union federations will gather for demonstrations in Bogotá and other cities around the country in order to repudiate austerity demands and call for wage increases. Workers in Bogotá will carry large banners with slogans calling for debt renegotiations and nationalization of the banks, and “death to the IMF.”

## Continent-wide mobilization

During the first week of December, the Venezuelan Workers Confederation (CTV) announced a series of major strike actions against all major state companies to protest the monetarist policies of central bank president Díaz Bruzual. Every labor contract in the state companies comes up for renegotiation soon. But aside from wage and benefit demands, the CTV is focusing the strikes around the issue of *political control of credit*. CTV leaders charge that Díaz Bruzual's Nov. 29 shutdown of the Venezuelan Workers Bank (BTV), under the pretext of poor administration and irregular practices, was a "declaration of war against organized labor."

As the international banking community steps up its warfare against Venezuela—trying to force it to devalue its currency, the bolivar—the labor mobilization will accelerate, and the Herrera Campins government will have to choose between its own population and the foreign banks (see article page 4). Around Dec. 5, Florida banks stopped accepting bolivar deposits, reportedly fearful of a devaluation or imposition of exchange controls in the country. Such action, however, is intended to create a panic, and force the Venezuelan government to adopt either one, or both, of these measures.

In Peru, where the IMF is putting into place a harsh austerity program, every major rural organization joined in an early December strike to protest the government's high interest-rate policy. The country's urban trade unions are already on a full alert against the imposition of further austerity measures.

Labor in Mexico is temporarily quiet, as it sizes up the new President, Miguel de la Madrid. However, there is widespread recognition among both labor and political circles that the IMF's austerity *cannot* be implemented in Mexico. Any attempt by de la Madrid to do so will be met with immediate labor protest and popular mobilizations (see Dateline Mexico, page 14).

## The politics of debt

What accounts for a mass-strike process unprecedented on the continent? As *EIR* founder Lyndon LaRouche outlined this summer in his widely distributed *Operation Juárez* document, the debt crisis in Ibero-America is not solvable by imposition of further IMF austerity and conditionalities. The continent is bankrupt; its debt is unpayable. Either the advanced sector accepts orderly reorganization of the debt along lines conducive to industrial growth, or there will be chaos, and new institutions will be created, which exclude the United States and the central banks whose policies it supported to date.

The case of Brazil's insolvency is exemplary. Behind the recent fuss over the \$6 billion it expects from the IMF, plus a \$1.2 billion "bridge loan" from the United States, is the

reality described by Finance Minister Ernane Galvêas in a recent press briefing.

Despite the imposition of horrible austerity this year, Brazil was so close to bankruptcy by mid-October that the U.S. government was forced to make an unannounced disbursement of \$470 million of the \$1.2 billion bridge loan at that time. The rest was handed over a few weeks later, in mid-November, before President Reagan's visit, during which he first publicly promised the loan.

U.S. Treasury Secretary Donald Regan assured the press that Brazil would repay the money out of the first tranche of the still-undelivered IMF loan—i.e., the United States has put a first lien on an IMF credit to Brazil that still had not been negotiated. Brazil meanwhile has informed its foreign creditors that they will have to deliver on several new bridge loans, like it or not, to keep the country from going under altogether.

As for Argentina, while the first tranche of an IMF loan is expected to come through in January, a \$1.1 billion bridge loan and \$750 million loan from the Bank for International Settlements have not yet been wrapped up. Creditors are still nervous about the Argentine central bank's recent decision to exchange government-backed five-year bonds for \$5.5 billion worth of private-sector debts to foreign banks, a move that is a de facto moratorium on a portion of its foreign debt. Another IMF "technical" mission reportedly arrived in Buenos Aires on Dec. 6.

Argentine Finance Minister Jorge Wehbe insists that his country will keep a stiff upper lip and pay its debts. But in a late November speech before Ibero-American bankers in Buenos Aires he explained that the nation's creditors would have to accept the fact that the government couldn't pay debts on time, and that maturities on payments coming due would automatically be extended. Wehbe estimated that Argentina could generate enough foreign exchange to pay its debts "in about two years." On Dec. 6, the central bank announced a second 90-day extension on short-term debt originally due in June. Sources in Argentina report that the CGT-Brasil federation issued a report last September warning of Argentina's inability to pay its foreign debt and calling for a 10-year moratorium on payments.

According to a report in the Dec. 7 edition of the Mexican daily *Excelsior*, former Colombian President Misael Pastrana, who visited Mexico as an emissary from President Betancur, emphasized that "Latin American countries must meet with their creditors to study adequate formulas and procedures that permit the liquidation of the region's foreign debt." Placing the blame for the continent's enormous indebtedness on international bankers, Pastrana added that it "is in the interests of both creditors and debtors to find a negotiated solution, so as to avoid a moratorium. . . . Only with understanding in negotiations will it be possible to overcome this problem which compromises the future of the Latin American nations."

# Pakistan's Begum Nusrat Bhutto: a portrait in political courage

by Daniel Sneider, Asia Editor, and Mary Lalévee, Wiesbaden Bureau Chief

While the military dictator of Pakistan, General Zia-ul Haq, was getting ready to leave for Washington in the first days of December, we were sitting in a hotel room in Munich talking to a woman who truly represents that nation. Sitting before us was a woman whose life is a portrait of human courage, moving proof that while dictatorships may survive through terror for some time, they can ultimately be defeated by the ability of a people to conquer fear.

The woman was Begum Nusrat Bhutto, the widow of Pakistan's only democratically elected prime minister, Zulfikar Ali Bhutto and, since his murder in 1979 by the dictatorship, the leader of his political party, the Pakistan Peoples Party (PPP). Forced by dire circumstance to take up the mantle of political leadership held by her martyred husband, her face shows the weariness and effects of years in prison.

Yet as Begum Bhutto sits and quietly tells us the story of what is really happening behind the curtain of terror in Pakistan, there is a sense of quiet strength. The victory of forces outside and inside the country in forcing the junta to allow her abroad for medical treatment, which according to her doctor has saved her life, has brought new life to the resistance to the junta.

After arriving in Munich, Begum Bhutto phoned Javed Shah, president of the PPP in the United States, and told him: "I have this disease, but I promise you that I will live until we bring down Zia."

More than anything else, it is her example, and that of her still-imprisoned daughter Benazir, which inspires the people of Pakistan to conquer fear.

We asked Mrs. Bhutto what has been happening inside Pakistan, how the regime has dealt with the resistance of the population to its repression. She recounted first the story of the workers of a factory in Multan who went on strike some weeks after the July 1977 overthrow of the Bhutto govern-

ment to protest the military takeover. While the workers gathered at the factory, as she described the scene, soldiers surrounded it. "They [the soldiers] faced the road and faced the factory" she told us, "and they machine-gunned, mowed them down." Two hundred fifty people were killed that day, including schoolboys passing by on the road. Officially 70 workers were declared victims when the event was publicized to shock the populace into submission.

Mrs. Bhutto described Pakistan under those conditions:

That was the first jolt which the people got, and they were very much terrified and they became careful. The second [jolt] was the public flogging. The flogging was not to punish the crime but to maim the men. Their kidneys were ruined. Some, their spine was injured. There was a boy of 16 years old who was flogged. Now he can't stand straight, he can't walk, he goes on all four hands and feet.

It is pathetic! And for what? Not for murder, not for looting a bank. Just for saying you want democracy or just saying "Don't kill Bhutto." That's all.

He [Zia] maimed them. There was a shock when they showed on the television about the flogging. And the way they flogged—oh my God! The strongest army chap is brought, with a huge stick, and he runs up from far (away). That was the second shock and the third was the assassination of Mr. Bhutto. Before my husband's assassination, that was the time when every jail was full. They used the race course [in Karachi] to dump people there with barbed wire around them. They put them there under the sun and the sky and the days were very hot and the nights were very cold.

Begum Bhutto had painted a dark picture, a picture of a

people literally beaten into submission. Does it mean, we asked, that the regime can now rule with complete impunity, that the terror has become complete?

"After five years, the people have gotten used to it. They are not frightened. That fear has gone. He wanted to put fear into the minds of the people. That fear has slowly, slowly [disappeared]—people are not fearful. People are coming out again. There are people who have had their ten lashes, and come out and gone again and gotten the second 15 lashes or 30 lashes. There are people I know.

"We formed the Movement for the Restoration of Democracy [MRD], with the other political parties, because we [the PPP] said that all those who believe in democracy in the country and are against military regimes and military rule, we should come on one platform so that our voice could be even stronger. That is the reason I joined hands with all these people (in other parties—ed.) who were very much against us (PPP) and had said a whole lot of things. But I said, in the interests of democracy, in the party's interests, we had better join hands—and we joined hands.

Mrs. Bhutto spoke sharply about the dangers facing Pakistan as a result of the Jamaat-e-Islami's growing strength under the patronage of the regime:

What we are fearing in Pakistan is that if we don't have early elections and the removal of this martial law, Pakistan will be another Iran. Because the Jamaat-e-Islami which is a fanatical Muslim party, for the last five years they have been hoarding a lot of arms and ammunition. They are training their people for civil war and for fighting and killing.

One movie director once met me in Lahore. I had been released from jail just for a few days and he came to me and said: "Begum Sahiba, come and see behind my studio where there is a big open area which has been walled off. There the Jamaat-e-Islami is training. Come and see what they are doing—they are training with machine guns, other guns, hand grenades, in groups. People come and lecture them.

He thought the government did not know, this gentleman, but I think Zia knows. It is not possible that he doesn't know. If he knows how many times we have yawned in a house, how is it possible that he would not know what they are doing?

This is what we don't want—another mullah coming, another chap coming and taking us back 1400 years. *We don't want this.* We don't want them to come and kill everyone who they think are the bad guys. I feel we are going towards that. This is what my analysis of the situation in Pakistan is.

We have got information that in every mosque they are stocking arms and ammunition, in the mosques

under their control and most of the mosques are under their control because slowly, slowly General Zia has removed the government mullahs. You see there are many kinds of mosques [in Pakistan]—the "party" mosques, run by various groups, and there are many mosques which are government mosques. Now the government mosques have government mullahs. Those government mullahs, those who were anti-martial law or army Zia has removed them. And of course, on the advice of the Jamaat-e-Islami, he has put their men there. So most of the mosques are in their hands and they are stocking a lot of arms in these mosques.

We asked Begum Bhutto about the reports that the demonstrators who burned the U.S. embassy in Pakistan [killing two Americans] in late 1980 were organized by the same Jamaat-e-Islami, with the connivance of the Zia regime. She responded without hesitation:

Yes, definitely it was them. We got information that Zia organized it! Look, if six people are standing [together], they come over to find out why six people are talking [together]. These people [the demonstrators] had buses, hired buses, to take them from Rawalpindi to Islamabad, so far away, so many miles.

Of course they knew it. They told them to go ahead and do it. That was our information. The local authorities, the submartial law administrator, told them: "Go ahead and do it!"

The MRD alliance has been the umbrella of political resistance to the regime in Pakistan. Despite the banning of all political parties and all political activity by the regime, the MRD has continued to function. However, as Mrs. Bhutto described the situation, it functions under conditions of heavy repression. After the victory of her gaining permission to leave the country, the MRD had planned a civil disobedience campaign which was set to begin on Nov. 27. The leaders of the MRD, most of whom are out of jail unlike Begum Bhutto and Benazir Bhutto, had planned to go out on the streets that day and court arrest.

"They were going to court arrest," Begum Bhutto told us, "going democratically on the streets with banners saying 'We Want Democracy, We Don't Want Martial Law, We Want Justice, We Want the Rule of Law, and the Release of Political Prisoners.' But before they could do [that], the night before they came and arrested all of them. So they just don't let us *move*."

### **The danger of another Iran**

The military regime in Pakistan is distinguished even from previous military governments in that country's history not only by the level of repression but also by the close links between Zia and a fanatic-extremist Islamic fundamentalist organization, the Jamaat-e-Islami. The Jamaat-e-Islami is the Pakistani branch of the infamous Muslim Brotherhood.

## The U.S., Zia, and the future of Pakistan

The picture which Begum Bhutto paints of Pakistan under the Zia regime is a grim one. However, there is clear evidence that indeed "the fear has gone." The most crucial crack in the wall of terror was the forced release of Begum Bhutto herself, a highly visible victory over a regime which was openly intending to murder her by denying her medical treatment abroad. The importance of that victory was evident in the tumultuous scene which occurred at the Karachi airport as Begum Bhutto departed the country. An eyewitness to the scene there described it to us.

In open defiance of the police and the army, thousands of people, many of them women, gathered to see her off. The crowds were thick around her, men and women weeping in the emotionally charged atmosphere. The police and army completely withdrew from sight and officials at the airport treated her as if she was the leader of the country. Quietly, officials, including army men, came up to her and said: "Begum, we are with you." The crowd was so intense that the weak Begum Bhutto fainted and was picked up and carried in through the airport by her personal physician, Dr. Saeed, who accompanied her out of the country.

Begum Bhutto contends, without fear of contradiction, that her party would win an overwhelming victory in any free election in Pakistan. This is a fact admitted by even supporters of the regime outside the country. It is precisely for this reason that the junta has refused to hold elections, breaking every promise to do so. And it is also for this reason that dictator Zia has every interest in following up his murder of Z. A. Bhutto with the murder of his widow and daughter, who are the leaders of the PPP and the symbols of resistance to his rule.

The welcome given Zia by the Reagan administration in Washington flies in the face of this reality. While State Department officials proclaim that elections will be held in "two to three years," privately they know perfectly well that the Zia regime is an unstable dictatorship totally unsupported by its population. Perhaps they also know what Pakistani sources told us, that a significant portion of the army officers do not support the regime and want to "return to the barracks" and let civilian rule come back. Where will Washington be when the inevitable happens, when the dictatorship of Zia falls, probably in a far-from-peaceful way?

As we concluded our conversation with this graceful and courageous leader, we asked Begum Bhutto what she would say to the American people on the occasion of Zia's visit to the United States.

I would like to tell them that when there was martial law in Poland, there was such a hue and cry. Even wheat was stopped to the Polish people. But when there is such repression in Pakistan, much worse martial law than in Poland, why do you give them wheat? Not only wheat but arms, ammunition, F-16s. It's not fair!! Treat us both alike—treat all countries alike.

## Bhutto supporters 'flog' Zia in U.S.

by Susan Brady

Judging from the itinerary, the first state visit to America of Pakistan's Chief Martial Law Administrator, Gen. Zia ul-Haq, was designed to give an official boost to the petty tyrant's status and make a show of "cementing" relations. It was Zia who overthrew the democratically elected Z. A. Bhutto in 1977 and subsequently hanged the national leader and founder of the Pakistan People's Party (PPP)—clamping a reign of terror over the country which he dares not lift for fear of immediately being driven from power. Since 1979 the United States has embraced the Zia junta as a "bulwark" against the Soviet Union.

But as it turned out, the official welcome, replete with pomp and professions of deep friendship, was unofficially punctured time and again, starting at Zia's first meeting, a working luncheon with Secretary of State George Schultz, where the dictator was confronted by a group of angry demonstrators led by Dr. Ghulam Hussain, Secretary-General of the PPP and representatives of the Club of Life. They let it be known, in demonstrations, press conferences and meetings in the capital, that all over the world, opponents of butchery and barbarism will not rest until Zia's regime is compelled to return power to the elected representatives of the people of Pakistan.

The demonstration at the State Department was only one of the many erupting across the United States as Zia visited New York, Houston, and San Francisco. The PPP, the Movement for the Restoration of Democracy in Pakistan (MRD), the Club of Life and National Democratic Policy Committee (NDPC) had already come together this fall in a successful international campaign to force the release from arrest in Pakistan of Begum Nusrat Bhutto, PPP chairman and widow of Z. A. Bhutto, to permit her to travel to Europe for treatment of lung cancer. The coalition is now pressing the demand for the release of Benazir Bhutto, her daughter, to permit her to carry on her mother's political leadership within Pakistan.

Before his entire entourage, Zia was confronted on this score by a representative of the NDPC following Zia's Dec. 9 address to the Foreign Policy Association in New York City. "General Zia, are you going to release Benazir Bhutto, or are you going to murder her the way you murdered her father?" the spokesman challenged him. "You are a killer. You are flooding our streets with heroin," he continued,



waving his finger in Zia's face.

The effect of the campaign against Zia's corrupt, illegal rule can already be seen. It is not every day that a visiting head of state is asked publicly and repeatedly to account for his regime's repressive practices and inability to halt a growing narcotics industry that has made it the world's number-one supplier of heroin. By day two of the visit, at the National Press Club, the homicidal military ruler was reportedly "bristling" at questions put to him about his human-rights record.

In five years, Zia has taken a democratic country that was progressing into modern nationhood under Prime Minister Bhutto and turned it into a fear-ridden, unstable center of international narcotics traffic—a tinder box which Zia likes to describe as "a bastion of stability." This devolution, which began with Henry Kissinger's 1976 threat to Bhutto that he would "make a horrible example" of the prime minister should he persist in his plans to develop nuclear energy technology in Pakistan, threatens now to splinter the country.

Today Zia is conducting his first state visit to the United States, to be followed by a state visit to Canada, in an effort to cement U.S. support and press demands for continuing multibillion-dollar aid. Fresh from a tour of Moscow, Peking, and Southeast Asia, orchestrated to give the little hitman the aura of a "world statesman," Zia had an itinerary that included meetings with five top cabinet officials, from Schultz and Defense Secretary Weinberger to Attorney General Smith, Treasury's Regan and Agriculture Secretary Block. Zia will also meet with such Anglo-American financial and foreign-policy spokesmen as World Bank president A. W. Clausen, Bank of America Chairman Leland Prussia, Citibank's Walter Wriston, Occidental Petroleum's Armand Hammer, and AID Director McPherson as well as Zbigniew Brzezinski, Alexander Haig, and Richard Nixon. Finally, a rendezvous in New York was arranged with the reputed snake-charmer Henry Kissinger himself.

The U.S. visit was not intended to secure anything of substance in terms of new agreements. So far the establishment of a Joint Commission to promote the two countries' political, economic and cultural relations—a product of the Zia-Shultz working luncheon—is the only specific product of the Washington leg of the tour.

Elaborate measures were taken by the Pakistan Embassy and Zia's allies in the administration to protect the evidently paranoid dictator from any sign of opposition. The so-called Moslem Development Corporation bought up permits for pro-Zia demonstrations covering the entirety of Pennsylvania Avenue and Lafayette Park facing the White House—an area that holds 4,000 people!—where Zia met with President Reagan on Dec. 7. Of course, no such demonstration was held, or even intended. The Embassy is well aware of the impossibility of rounding up even a hundred to demonstrate for Zia; the transaction was solely aimed at preventing the anti-Zia forces from demonstrating there, and was apparently undertaken when Embassy personnel concluded that earlier efforts to terrorize and pay off individual Pakistan Peoples

Party organizers in the U.S. were a failure.

## The truth is heard

But Zia could not help seeing the placards and hearing the chants that boomed over the loudspeaker from the demonstration held along the route he had to take to get to the White House, and the message has broken through in the press as well. The *Baltimore Sun* was compelled to note, in an otherwise scandalously inaccurate article, that Zia was followed by "an accusative shadow," Dr. Ghulam Hussain, and the *New York Times* quoted a PPP spokesman on Zia's record of criminality. On Dec. 6 Zia had to be hustled in through the back door of the Sheraton Park Hotel where he was scheduled to address "the Pakistani community." Outside the hotel was a 45-man picket line, with Dr. Hussain at the microphone delivering the message he communicated to Congress in a special message earlier in the day.

"I am the Secretary-General of the largest democratic party in Pakistan, the party which sponsored the only democratically elected Prime Minister in my nation's history, the party which your own State Department freely admits would today surely win any honest election in Pakistan," states Dr. Hussain, a medical doctor by profession. Twice elected to the National Assembly of Pakistan, and appointed Minister of Railways in Bhutto's cabinet, he was jailed without trial for three and a half years under Zia. "I can therefore speak knowledgeably about my own country's interest; but I also say to American patriots that it will not serve your interests to rely on the man who so easily betrayed his own country and violated his oath just to get power; who judicially murdered Prime Minister Z. A. Bhutto; who has restored the practice of public flogging and amputations; and whose brutal rule threatens to splinter the nation itself."

The United States took drastic measures in response to the imposition of martial law in Poland, Hussain pointed out to NBC-TV, AP and four other networks at an emergency press conference at Capitol Hill held just before Zia's scheduled arrival for meetings with House and Senate Foreign Affairs Committees. But in the case of Pakistan—the U.S. embraces the illegal regime and showers its dictator with more than \$3 billion in military and other aid!

Hussain has insisted that the alliance with Zia violates U.S. national interests. Not only is the Zia regime responsible for overseeing Pakistan's emergence as the number-one supplier of heroin to the world, but the belief that Zia is a "bulwark" against the Soviet Union is a myth. In fact the Zia junta is fostering the break-up of Pakistan, preparing the way for another Afghanistan or Iran—as the rebellions in Baluchistan and the activities of the fundamentalist mullahs attest.

Official spokesmen for the administration assert openly that Pakistan's strategic position in the Asian geopolitical scheme—named the "Great Game" by the British colonialists—overrides all other considerations. Pressed as to the effect of hosting Zia on the integrity of U.S. foreign policy, a senior official shouted, "I don't care! I don't care!"

# Europe-wide drive for nuclear energy

by William Engdahl, Energy Editor

Delegates from six European nations gathered in Strasbourg, France, Nov. 27 to establish a Europe-wide organization dedicated to the advancement of nuclear energy development, most especially nuclear technology exports. Representing all aspects of industrial, trade union and political life in Europe, they came from France, the Federal Republic of Germany, Italy, Spain, Sweden and Finland on an initiative of various people, including Deputy Mayor François-Georges Dreyfus of the host city of Strasbourg. As the prestigious daily *Le Monde* put it on Dec. 1, "The aim of the committee is to define and put forth a new policy of 'Atoms for Peace' renewing the historical optimism of great projects of North-South economic development such as those of General de Gaulle and President Eisenhower."

In his opening remarks Mr. Dreyfus stressed that "We cannot exaggerate the evil done by the Club of Rome to France and to the world." He went on to express special thanks to U.S. economist Lyndon LaRouche for his "fight in the United States for a dynamic economic policy in the Democratic Party which for us is a source of confidence," and to Mrs. Helga Zepp-LaRouche and her efforts for the Club of Life. He also declared that "those ecologists who fight against the development of nuclear energy in the Third World, do not, or maybe they do, know that by fighting against nuclear development they condemn to death the inhabitants of all the Third World."

## LaRouche: beam weapons key to progress

The deputy mayor's remarks introduced U.S. Democratic Party figure Lyndon H. LaRouche, Jr., who took up the attempt to revive nuclear growth from the standpoint of the current policy fight over the development of anti-missile beam weapon technologies capable of knocking down nuclear armed ICBMs in mid-flight. "The beam weapons policy, in which I have had a hand," LaRouche stressed, "is crucial for the entire nuclear industry and the general overall progress of technology." Describing the economic collapse facing mankind today as potentially more deadly than the Black Death of the 14th century, LaRouche noted that "until at least a few days ago, no country in the advanced sector appeared willing to do what is necessary to stop this. It appears that President Mitterrand of France is making a shift in policy, with the

input of not only the Socialist Party, toward a determination to save not only France, but civilization itself."

Developing the argument he presented several days before at an *EIR* policy seminar in Bonn, West Germany, Mr. LaRouche then explained that existing technology is not sufficient to lift the world out of its advanced stage of economic collapse. However, he argued, the technological advances embodied in a research and development program for high-energy beam weapons would provide the scientific advances in high-energy and plasma physics which are needed. Then, LaRouche emphasized, society in the U.S.A., Europe, and Japan must reinitiate a full-scale technological commitment to industrial development including joint U.S.-Soviet treaties for exploration of Mars, colonization of the moon and development of earth-orbiting manned space laboratories to explore the frontiers of science. "This will mean the retooling of certain industries which we have liquidated," he noted.

LaRouche concluded, "If we can change our direction toward the development of the beam-weapon technologies, get across the idea of the high-technological base needed for beam development, perhaps we can turn the present attitude and this will get the nuclear question back into focus."

LaRouche was followed by remarks from Jacques Cheminade, spokesman for the initiating French-German Nuclear Committee, and a presentation by Dr. Jonathan Tennenbaum of the Fusion Energy Foundation on the implications of recent breakthroughs in polarized plasma techniques to shorten the development time needed to achieve controlled thermonuclear fusion energy.

## Saving the Third World

Helga Zepp-LaRouche, chairwoman of the European Labor Party, then proposed that the assembled group resolve to build toward a European conference by approximately mid-February which would focus the attention of European industry on the importance of nuclear exports to the developing nations. That conference would come just prior to the March 1983 meeting of the Non-Aligned nations in New Delhi.

Mrs. Zepp-LaRouche described her initiative for the creation of the international Club of Life, which was founded in Rome, Italy and Wiesbaden, West Germany one month ago to take up the fight for the "absolute sacredness of all life on our planet." She also announced that the Club of Life will hold a symposium in New Delhi one week prior to the Non-Aligned meeting and proposed the February European conference on nuclear exports as a manifestation of a "European commitment to a hungry world. We have no right to destroy these technologies," she concluded to enthusiastic applause.

During the ensuing discussion, Herbert Schultz, the Deputy Mayor of the West German city of Biblis, site of a nuclear reactor whose completion has been blocked for months by the anti-nuclear movement, got up to lacerate "politicians who hide behind the greens." He expressed his hope that the creation of this European nuclear committee would finally awaken industry to change the stalemate.

# Anti-science faction rears head in Moscow

by Rachel Douglas, U.S.S.R. Editor

The Moscow weekly *Literaturnaya Gazeta* (Literary Gazette) carries the portrait of its co-founder, the great 19th-century Russian poet Alexander Pushkin, on the masthead, but lately half its articles would have made Pushkin sick. The poet loved science and wanted civilization to survive; the newspaper is now attacking science and boosting policies that mean the destruction of civilization.

On Dec. 1, *Literaturnaya Gazeta* attacked Dr. Edward Teller as a "cannibal" and "hater of men." This was nothing less than an assault on the proposal to develop beam weapons, the defensive strategic weaponry Teller advocates. As *EIR* reported in our Nov. 30, 1982 Special Report, beam-technology development is the science to prevent nuclear war.

That the U.S.S.R. has a directed-energy beam weapons program is no secret.

*EIR* founder Lyndon LaRouche has proposed that both superpowers develop the technology, in parallel, and get on with joint efforts to colonize the Moon and Mars and industrialize the Third World as a means toward world economic recovery. This would be in the interest of both the United States and the Soviet Union, but some people in Moscow don't see it that way. Calculating that it's good for the U.S.S.R. if the United States sinks into collapse, they encourage anti-technology mobs in the West in the guise of the "peace" movement.

The fight for beam weapons, waged under the slogan "Don't freeze that missile, kill it!", has become an international issue too hot for the freeze-backers at *Literaturnaya Gazeta* to handle. Or it may be that the editors there were embarrassed by what an honest report on Teller's Oct. 27 National Press Club appearance would have had to say: He deplored the nuclear "balance of terror" on which the world has hung for 30 years. He laid blame for people's understandable fear about nuclear incineration, at the door of Robert Strange McNamara, proponent as Secretary of Defense of the Mutual and Assured Destruction (MAD) doctrine and today of the freeze, of keeping MAD in place. And he said he favored "treaties which start with the word 'do,' which encourage cooperation and which attack not the means of warfare, but the roots of conflict."

None of this reached the pages of *Literaturnaya Gazeta*, which instead had author A. Belskaya's distortion of Teller's

recent *Reader's Digest* article, presented so as to paint him as proponent of nuclear bombings. In calling Teller "Dr. Strangelove," Belskaya followed the format of attacks on him by the *New York Times* and the *London Guardian*.

## British radicalism

For a publication that so readily applies the epithet "people-hating," *Literaturnaya Gazeta's* recent performance as a platform for British radical philosophy is extraordinary. The articles it is publishing could be eulogies in advance, for the Anglo-Soviet triple-agent Donald Maclean, who is reportedly dying in a Moscow hospital; the *London Times* aptly recalls about Maclean, that "he loathed the Americans and all that their country stood for." If America stands for the perfection of the human mind and man's mastery of the earth through technology, then *Literaturnaya Gazeta* is right in step with Maclean.

The Dec. 1 issue featured a page on genetic engineering. The contributors were British-born Princeton scientist Freeman Dyson, consultant at the Arms Control and Disarmament Agency (ACDA) when McNamara was at Defense, and Ivan Frolov, of the Soviet All-Union Institute of Systems Research, who in the past has heaped praise on that Club of Rome specialist in population elimination, Aurelio Peccei, for his approach to "global problems."

*Literaturnaya Gazeta* translated a passage from Dyson's book, *Disturbing the Universe*, in which he reviewed lessons learned from H. G. Wells: From Wells's *The Island of Dr. Moreau*, he took the classic anti-republican argument of Wells, that technology, the fruits of reason, must be kept out of the hands of common folk; this is the position that rejects the possibility of a republican citizenry, aspiring to develop "divine" powers of mind. *Literaturnaya Gazeta* took from Dyson the following:

Wells posed a question to which those who believe in scientific progress cannot be indifferent: can man play the role of the almighty and not harm himself by reason? The answer is contained in the person of Dr. Moreau and it is a decisive "no." The hero of the novel escapes from the island, returns to the civilized world and cannot forget what he saw there. ". . . My uneasiness took a very strange form: I cannot convince myself, that the men and women I meet, under an outer shell creating a human appearance, are hiding their true essence; that this is a tribe of animals, monsters, forced to throw in their lot with people; and that soon they will begin to regress, exhibiting one after another the features characteristic of animals. . ."

In these lines is all the anguish of man, drawing in his imagination the possible paths of development of modern biology. Scientific progress threatens to deprive humanity of the two "anchors" probably the most necessary for his psychological health: the feeling of uniqueness of the human personality and the feeling of

brotherhood among people. Someone who visits the island of Dr. Moreau loses these "anchors" and can never say with certainty what kind of a being he is. . . .

From Wells and his successors we learned that man cannot play the role of the almighty and remain psychologically healthy and that scientific-technological progress inevitably endows man with power permitting him to play this role. . . ."

Such a tribute to H. G. Wells undoubtedly struck at least some Soviet readers, including ones in high places, as strange. Wells was known and attacked by collaborators of Lenin like G. M. Krzhizhanovskii for wanting to destroy the 1920s Soviet electrification program, which made Wells nearly hysterical. That program was the beginning of the U.S.S.R.'s rise to be a superpower.

But that history did not hinder Ivan Frolov, too, from invoking Wells and also *Frankenstein*-author Mary Shelley on the dangers of "correcting" nature. Frolov also cited the "intellectual-emotional passion" of Fyodor Dostoevskii, who thought that Russia's destiny lay in holy poverty and not industrialization, when Dostoevskii said, "The knowledge of the whole world is not worth the tears of one child." This is Dostoevskii's famous argument against civilizing measures like the deliberate construction of cities, on ground that someone would suffer in the process; he preferred uncivilized "Holy Russia"—disease, famines and all.

*Literaturnaya Gazeta's* editor-in-chief, Alexander Chakovskii, once wrote a novel about the 1945 Potsdam confer-

ence, in which he rather accurately portrayed Sir Winston Churchill's machinations to demolish what was left of the wartime Soviet-American alliance after Franklin Roosevelt's death. Something drastic has happened to Mr. Chakovskii, who is now the Soviet co-chairman of the Anglo-Soviet Friendship Society.

Another of his recent authors is Ernst Henry (aka Semyon Rostovskii), who from the 1930s worked as a Soviet penetration agent into Social Democratic circles and vice versa. Henry was named by the London *Observer* in 1979 as involved with Maclean and his fellow triple agents, Kim Philby and Guy Burgess, in the late 1940s. He has built a reputation as a journalist expert in factional analysis of Western countries, under which rubric he dishes up all sorts of nonsense.

On Nov. 10, Henry wrote in *Literaturnaya Gazeta* that the main threat to world peace is "the U.S.'s further, most cherished plans for establishing its rule over the entire world and the Americanization of the globe," to be accomplished with a nuclear first strike against the Soviet Union. Henry introduced a British scenario-writer's story about Moon-based beam weapons, to say that "some U.S. figures" want to "arm the Moon against the earth." This leap from British scenario to American policy he explained by adding that "the British imperialists see no future for themselves except as the junior partner of the hegemonist U.S."

Soviet-American antagonism is what permits London to manipulate the two great powers, using agents-of-influence like Ernst Henry to fan the flames.

# KISSINGER'S DRIVE TO TAKE OVER THE REAGAN ADMINISTRATION

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Since at least May 1982, following an underpublicized visit to London, Henry Kissinger has been coordinating a drive to consolidate control of the Reagan administration for the Trilateral Commission wing of the Republican Party. Secretary of State George Shultz is fully collaborating with this effort, which will put Kissinger in charge of enforcing the "controlled disintegration" economic collapse and depopulation of the developing sector. This EIR Special Report, written by EIR's Washington Bureau, provides the details of Kissinger's drive, including the implications for domestic and foreign policy. Includes profiles of Kissinger's collaborators, especially Helmut Sonnenfeldt, and the role being played by the Jack Kemp-led "opposition." Profiles of recent administration appointments also included.

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# U.S. consul in Mexico linked to deployment of would-be assassins

by Hector Apolinar

*The issue of U.S. interference in Mexican politics has always been an extremely sensitive one, on both sides of the border. An EIR investigative team has uncovered a new chapter in the history of such scandals. The U.S. consular office in the strategic border state of Sonora, according to EIR researches, has intervened in local politics to bring the opposition National Action Party (PAN) into power in the state and overthrow the control of the ruling Institutional Revolutionary Party (PRI).*

*The scandal has special implications for three reasons: 1) The PAN Party is not a legitimate participant in the spectrum of Mexican political groups, but is an off-shoot of European oligarchist interests who were responsible for the rise of Hitler in Germany and Mussolini in Italy. 2) There is reason to believe that the U.S. State Department has supported the illegal consular activities as part of a broader project of undermining the PRI party. Highly reliable sources told EIR in July that it had been State Department policy, worked through the office of information (USICA) of the U.S. Embassy in Mexico City, and other related channels to build up the PAN vote in the July 4, 1982 elections. State Department officers at the time described the PAN party to callers as "a group with roughly the ideology of the Republican Party in the U.S." 3) Fascist opposition groups in Mexico are privately putting a six-month timetable on tearing down the government of Miguel de la Madrid, who was inaugurated on Dec. 1.*

*The Sonora case—which is still far from being fully bared—could be a litmus test of State Department intentions during these crucial first months of the new Mexican government. Will it keep its Sonora operation in place, or will it put a stop to the 15 year pattern of illegal covert operations in a friendly country?*

Gavin should have realized the kind of consular office he had on his hands with the stunt pulled by newly-installed consul Anthony Arredondo upon Gavin's arrival in Hermo-

sillo Nov. 13. Arredondo arranged for consular cars to drive directly up the airplane and take Gavin away without the ambassador's passing through the reception building—where Ocaña was waiting to greet him. When Gavin realized what was up, he immediately changed the route in order to see the governor. Ocaña, however, kept his distance from the local U.S. personnel by not attending the reception at the new consular headquarters. Instead, Casimiro Navarro, PAN mayor of the city about whom more is said below, attended as a special guest.

The Ambassador was greatly surprised when greeted at the door of the consulate with an open letter which demanded that he explain publicly whether the consulate's illegal activities and those of Terry Dale Hansen were approved by the embassy or by any other U.S. government agency, and if President Reagan was informed of those activities.

The letter was signed by the Mexican Labor Party (PLM), a political organization with strong influence in the state; the PLM is currently attempting to forge a U.S.-Mexico alliance around high-technology Mexican economic development projects, in collaboration with the National Democratic Policy Committee of Lyndon LaRouche in the United States.

The PLM documented that Terry Dale Hansen had given "asylum" to the PAN mayoral candidate, Casimiro Navarro, on the day of voting, July 4, on the unsubstantiated grounds that Navarro faced persecution at the hands of local authorities. The ploy served to give Navarro a spate of publicity, which influenced the elections. It also violated Mexican law.

## 'A lack of citizenship'

The consulate's intervention into the electoral process was discussed in the State Congress, which judges and certifies the election results. Several groups requested that the congress annul the election and conduct an investigation of the collusion between the PAN and the consulate.

On Sept. 14, the special investigatory commission of the lower house of the State Congress returned its findings. It

acerbically noted that "during these proceedings, information requested of the consul general of the United States in this city, by way of collaboration, has not been received, despite being requested on two occasions." However, the report continued, "information exists which can be considered sufficient proof of the fact that Casimiro Navarro Valenzuela, in the electoral process of this municipal district, invoked and obtained the protection of the U.S. government." The commission decreed a "categorical vote of censure," noting "we are convinced that this case shows clearly a lack of citizenship and political maturity on the part of Casimiro Navarro: His conduct implicitly repudiated the civil and military entities that maintain our national integrity and the security of Mexicans, and are not tied to any type of faction or partisan interest. . . ."

That month, Hansen was suddenly replaced at his post, without his providing any information on the motives for the rather extraordinary actions of the consulate in the case.

In the same open letter, the PLM demonstrated that the consulate, under the direction of Hansen, was also implicated in an armed threat against members of the PLM. This threat came on Aug. 27 by one of Hansen's former personal guards, Martín Andrés Ady, and his associate Miguel Angel Monteros Sánchez. The threat was made when PLM members were publicizing evidence of Hansen's support of Casimiro Navarro in the elections.

On Sept. 7, Ady and Monteros were arrested by the Judicial Police of the state of Sonora, shortly after having made a second armed threat against members of the PLM.

At the time of arrest, police found a .22-caliber Smith and Wesson pistol, binoculars, and a mini-tape recorder with the suspects, as well as a document in the handwriting of the arrested parties which stated: "To die is easy. We categorically affirm that it only takes two seconds. Only those who deserve to, die. Those who are not corrupt do not deserve to die. Aside from poisoning the water or an intravenous injection of air, there exist 107 strange forms of death. Isn't it true that dying is easy? We act on our own. We have been educated with stern military discipline and we are concentrated in the state of Sonora for as long as it may be necessary [signed] MAC—Death to the corrupt ones."

### **Death squads?**

The document gave rise to the hypothesis that Ady and Monteros are part of a previously unknown paramilitary group, or death squad. This has been discussed at the highest levels of the national security apparatus, and it is believed that a special task force may have been established to deter the formation of similar groups in other border states where contact has been detected between U.S. consuls and the opposition parties—as has been the case, for example, in Ciudad Juarez, Chihuahua.

It would not be the first time local U.S. agencies were involved in support of fascist shocktroop formations. In 1967, the U.S. Information Service (today, USICA) office in Her-

mosillo played a direct role in the formation of the Movimiento de Integración Cristiana (MICOS) on the University of Sonora campus. The Mexican director of the USIS office himself left his job to head up the founding of the MICOS, who have terrorized that and other Sonora campuses since. During the mayoralty campaign early this year, the MICOS threatened a terror rampage if PAN candidate Navarro were not installed as mayor. Hermosillo archbishop Carlos Quintero Arce, was also instrumental in the creation of the MICOS and their subsequent protection, according to several local witnesses.

As the interrogations of Ady and Monteros by the Sonoran authorities unfolded, additional links between the U.S. consul, the hired would-be assassins, and the PAN party emerged. Ady revealed that he had worked as Hansen's security guard up to six months before the incidents leading to his arrest. Cross-checked intelligence sources have informed this reporter that Ady moved from his employment with Hansen to fulfilling the same function, along with Monteros, as part of Casimiro Navarro's security team during the electoral campaign.

In his interrogation, Ady could not account for the unregistered pistol that had been found with him. Several days later it was officially announced that there had been a theft of a .22-caliber pistol owned by former Consul-General Hansen. It was reported that the theft had been made several months earlier. No explanation was given as to why the report of the "robbery" had never been made public.

On Nov. 5, the PLM released details of an investigation of the law firm defending Ady and Monteros. The law-firm of record, Victor Manuel Montoya, is a partner in the firm of Eugenio Santeliz Jiménez, who in turn is the chief purchasing officer for PAN mayor Casimiro Navarro. According to those who know Santeliz, he is admirer of Hitler and a disciple of one of the core neo-Nazi operatives in Mexico today, Salvador Borrego.

The Ady and Monteros cases have now provoked a scandal in the Sonoran capital comparable only to the mysterious abduction and assassination of U.S. consul Peterson in 1972.

### **Gavin's hasty exit**

Ambassador Gavin was hardly repaid by the local PAN apparatus for Hansen's exertions. Casimiro Navarro, the PAN mayor, spoke so long and so incoherently at the consulate inauguration that it became evident to the entire audience that he was drunk.

The next day, Nov. 14, Gavin gave a press conference just before leaving Sonora. When a reporter asked him about the statements of Governor Ocaña on the involvement of the consulate in support of the PAN, Ambassador Gavin lost his diplomatic aplomb.

Passing up an opportunity to clarify the matter and assuage Mexican concern, he snapped: "The U.S. does not intervene in any country. Don't ask me these stupid questions or invent things." He quickly boarded his plane.

## A new 'Haddadland' in Lebanon?

*Ariel Sharon and his British co-conspirators are using the cults against President Gemayel and the United States.*

**T**he Chouf mountain region southwest of Beirut is being primed for a full-scale ethnic war modeled on the genocidal strife Britain triggered in the 1860s.

Israeli mafia boss Defense Minister Ariel Sharon and his neo-Nazi allies within the Lebanese Falange under the old British intelligence agent Camille Chamoun are moving to carve out another "Haddadland" in the southern strip of Lebanon now controlled by Sharon's mafia through Israeli mercenary Col. Saad Haddad. One of the main attractions they perceive in the Chouf, as in southern Lebanon, is the growing illegal drug and gun trade there.

Plans for this phase of destabilization were made at an Oct. 15 secret meeting held in Dir-el Kamar, the Chouf headquarters of the old warlord Camille Chamoun. The meeting, which was attended by Sharon and Israeli mafia boss Meyer Lansky's representative Uri Dan, as well as Charles Douglas Home, the editor of the London *Times*, was a planning session for the destabilization of the Chouf.

This grouping is committed to ousting U.S. influence from the Middle East as part of its drive to consolidate control over the lucrative Mideast black market. For weeks now, fighting between Falange and the Druse, the minority which dominates the Chouf, has raged, raising the spectre of renewed full-scale civil war and the collapse of the pro-U.S. regime of Le-

banese President Amin Gemayel.

On Dec. 1, Walid Jumblatt, the leader of the Druse sect, narrowly escaped death when a bomb exploded in front of his car in West Beirut. Jumblatt had repeatedly warned in recent weeks that the Israeli occupation of the Chouf is contributing to the escalation of violence in the area.

Gemayel is reported to be extremely worried about the Chouf crisis. In late November he warned that it was a "pressure point" against his government. During the first week of December he issued two urgent calls to President Reagan to send 4,000 more U.S. troops to Lebanon into the Chouf to replace the Israelis, who call their presence there a "peacekeeping mission."

The blueprint for the Chouf crisis was first made public two weeks after Israel invaded Lebanon. Sharon's crony, Minister of Science and Technology Yuval Nehman, writing in the *Jerusalem Post* July 24, called for the "comeback" of the neo-Nazi Arslan clan as the leaders of the Druse, and for the elimination of the Jumblatts!

Earlier this year, the Jumblatt family's connections to drug running were exposed by the Swedish press in what some speculate could have been the beginning of the effort to replace the Jumblatts with the Israeli-backed Arslans, an ancient feudal family whose leaders consider themselves to be princes. The head of the Arslans, Prince Feisal Majid Arslan, main-

tained close ties with the Nazis.

Sharon's Falangist allies, led by Chamoun, are supporting the bid to oust Jumblatt, and aim to use a Chouf blow up to finish off Amin Gemayel's government.

On Dec. 1, at the invitation of the Israeli government, Etienne Saqr, a leader of Lebanon's fascist Guardians of the Cedars organization, visited Jerusalem and absolved Ariel Sharon of responsibility for the September Beirut massacre. Saqr told the press that the slaughter of the Palestinians was a "Lebanese reaction from the relatives and parents of our martyrs." The Guardians of the Cedar, founded by the Lebanese poet Said Akl, has only gained prominence since the September assassination of Amin's brother Lebanese president-elect Bashir Gemayel.

Like the Arslan wing of the Druse, the Guardians are an extremely racist cult. They insist that they are not Arabs but Phoenicians, and are racially and culturally superior to the Arabs and Palestinians.

Sharon's mafia has established strong ties to the Guardians, who recently went on a world tour promoted by Israel to defend the Israeli invasion of Lebanon and to explain why the "Arab cancer" (the PLO) must be removed.

Saqr is calling for a formal treaty between Lebanon and Israel, something Sharon is known to want. Such a treaty would "open the door" between Israel and Lebanon—to enhance cooperation between the Israeli and Lebanese mafias.

Since taking power three months ago, Amin Gemayel has repeatedly said no to such a treaty. It should be noted that Lebanon remains dependent upon aid from Saudi Arabia, a crucial block to Gemayel surrendering his country to Sharon.

# International Intelligence

## **Arab League pursues wide-ranging diplomacy**

A delegation of Arab League foreign ministers, including a representative of the Palestine Liberation Organization, was led by Jordan's King Hussein to Moscow and Peking early in December. The visits were punctuated by a surprise 17-hour trip to Islamabad by the entire Arab delegation to confer with Pakistani dictator Zia ul-Haq in Islamabad before continuing to Peking.

In Moscow, Soviet President Yuri Andropov received the delegation and issued a statement reiterating a policy issued by Leonid Brezhnev shortly before his death that the U.S.S.R. would pursue a diplomatic course in the Mideast aimed at removing the U.S. influence and power. This was forcefully echoed in an unusual *Pravda* editorial in October by Karen Brutents, the Armenian-born Mideast desk chief under Boris Ponomarev of the Communist Party Central Committee International Department.

One of the precedents set by the visit to Moscow was the inclusion of Saudi Foreign Minister Saud al-Faisal, who was pictured widely in the Soviet press meeting Soviet Foreign Minister Gromyko. To date, the Saudis maintain no official relations with Moscow.

## **British signal new destabilization of Vietnam**

Soon after the Vietnamese government announced that it had smashed a ring that was planning an insurrection in a district of Saigon, the British press began highlighting plans for a new round of destabilizations of the country. The Vietnamese government is among the most favorable in the region to the project for massive development of the Mekong River Valley. It was to stop projects of this sort that the "population control" maniacs launched the Vietnam war.

According to the Sunday *Times* of London, Dec. 5, "Secret bands of guerrilla fighters, recruited from among Britain's 16,000 Vietnamese boat refugees, are now standing by in London, Birmingham, Nottingham, Leeds, and other cities, waiting for orders

to return to the jungles of Vietnam to fight the communist regime from which they fled in the late seventies."

*Times* correspondent Anthony Grey, former Reuters News Agency correspondent in Peking, reports that two key organizations of a paramilitary nature have been formed. One, called "the overseas volunteer forces for the restoration of Vietnam," is headquartered in Lancashire and draws international support from Vietnamese refugees in Australia, Canada, Europe, the United States, and Japan. The other, called the "National United Front for the Liberation of Vietnam," is larger, and is led by a one-time Vice-Admiral of the South Vietnamese Navy, Hoang Co Minh, now in Vietnam.

## **Peking, Taipei replacing ambassador to U.S.**

Zhang Wenjin, a Vice-Foreign Minister who had been in charge of Peking's negotiations with the United States on the Taiwan issue, will replace Chai Zemin, who has been ambassador since Washington and Peking normalized relations in January 1979. The transfer, a demotion for Zhang, follows the replacement of Huang Hua, Foreign Minister during the most advanced period of U.S.-China strategic collusion. The shakeup thus underscores Peking's downgrading of its relationship with the United States.

On the other side of the Taiwan straits, Frederick Chien, who served as interpreter for the late President Chiang Kai-shek and is currently Vice-Foreign Minister, will be sent to head the Coordinating Council for North American Affairs (CCNAA), Taiwan's unofficial representative office in the United States.

## **Peru nationalists expose Luigi Einaudi**

The State Department official who tried to target former Italian Prime Minister Aldo Moro with the Lockheed bribery scandal most likely was Luigi Einaudi, according to the Peruvian weekly *Kausachum*. Published by the former press secretary of nationalist

Gen. Juan Velasco Alvarado, who was deposed at the orders of Henry Kissinger in 1975, *Kausachum* editorialized on Nov. 17 that "this aide to Kissinger [who implicated Moro] was probably Luigi Einaudi, grandson of [former] President Einaudi of Italy, and still today the all-powerful official at the State Department overseeing Peruvian affairs." Einaudi, of the "black nobility" clan which helped set up NATO and the IMF, has run Policy Planning for Latin America for four administrations.

*Kausachum* declares that Einaudi was "the brains behind Kissinger who drew up the plans to destabilize the Peruvian government. . . . When Kissinger visited Peru in mid-1976, he was accompanied by William Rogers and Luigi Einaudi. After Kissinger's visit, General Morales Bermudez understood that he had to change his non-aligned and Third Worldist policy, and repair relations with Chile."

As nationalists in Peru re-surface under the influence of continental ferment for a new world economic order, Einaudi has ordered current U.S. ambassador to Peru, Frank Ortiz, to "stop a resurgence of the Peruvian revolution at all costs," *Kausachum* added.

The editorial appeared next to a release by NSIPS, the news service which publishes *EIR*, detailing the Italian court testimony of Moro-aide Corrado Guerzoni, on Kissinger's threats against the Italian Prime Minister who was later kidnapped and murdered.

## **Conventional warhawks disappointed by France**

Members of the U.S. conventional-buildup lobby are expressing their "disappointment" and "despair" with the military policy of the French government, which has rejected as "nonsense" the proposals typified by NATO's General Bernard Rogers.

Gerard C. Smith, who along with Robert S. McNamara, McGeorge Bundy, and George Kennan launched the "no-first-strike" effort to lull the Soviets into tolerating NATO's plans for old-fashioned slaughter of former colonial populations, stated Dec. 6 that since the issuance this spring of their policy statements, two events have taken place: the first was that General Rogers came



out in favor of conventional build-up, a step in the right direction, according to Smith, and the second is that "the French have decided to increase funding for nuclear forces and cut back on conventional forces." "French real estate" and "French logistics" were to have been an "essential part of the Rogers plan," so France's policy is a true setback.

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### ***SPD conservatives seek 'dialogue' with greens***

Since former West German Chancellor Helmut Schmidt decided not to seek re-election as the candidate of his Social Democratic Party (SPD), making way for left-of-center West Berlin politician Hans-Jochen Vogel, opposition in the SPD to a takeover by the "green" terrorist/ecologist wing of the party has collapsed. The "Kanalarbeiter" faction, is now actively collaborating with its former enemies.

Most striking is the case of Hesse State Governor Holger Börner, once known as Schmidt's closest supporter and an aggressive enemy of the Greens. Early in December Börner cast the vote which allowed Roland Kern, a Green parliamentary deputy in Hesse, to become vice-president of the state parliament. The Hesse chief is courting the very party which he denounced only a few months ago as "close to fascism."

Since the September election which deprived Börner of a viable state parliamentary majority, he has dropped what remained of his industrial initiatives; he is now joining with the SPD left in demanding a make-work "jobs program," and stressing environmental protection and "village restoration."

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### ***Libyan separatists under fire in Italy***

While the investigations of Italian Judges Palermo and Martella against the Mafia continue, the Italian magistracy opened a new angle: cleaning up the subversive separatist movements. In early December Cagliari Judge Mario Marchetti ordered the arrest of 15 persons involved in the Sardinian inde-

pendence movement. Prof. Piliu, leader of Sardinia's Action Party, was among the arrested. A Libyan citizen, Ageli Mehemmed Tabet, escaped arrest. He was the link between the Sardinian group and Qaddafi regime.

For the first time, an article of the penal code was used that punishes the organizer of "an attempt against the integrity of the state." Prof. Piliu was known, besides his terrorist activities, for his defense of the Sardinian dialect.

The group was financed and armed by Qaddafi through the infamous Michele Papa of Catania, Sicily, Billy Carter's "Libyan connection" and a terrorist funder. Papa became known when he organized the visit of Billy Carter to Libya. Piliu was introduced to the Libyan agent Tabet last May by Michele Papa in Catania during the so-called "feast of Sicilian-Libyan friendship," an event organized by the Libyan consul in Catania and by Michele Papa as President of the Sicilian-Arab Friendship Association.

The plan of the separatists was elaborated by terrorist Giangiacomo Feltrinelli 10 years ago, when Feltrinelli established an alliance with the Sardinian bandits in order to transform Sardinia into the "Cuba of the Mediterranean." This is the same plan pursued by Michele Papa who is leading a network including terrorists and mafiosi that are supposed to "separate" Sicily from Italy, annexing it in effect to big brother Qaddafi. A similar plan is being elaborated for Corsica.

The result of the Marchetti investigation is to be seen as a reaction to "Operation Nightmare," which was launched last April-May to provoke Mafia-led insurrections in Sicily, and finally to achieve a coup in Italy following the destabilization. At that time this plan failed thanks to a mobilization by EIR founder Lyndon LaRouche. EIR informed politicians and law-enforcement agencies that the British and the Soviet secret services were sending agents and weapons to Sicily to unchain the insurrection. PCI Sicilian leader Pio La Torre was informed that the demonstrations of the peaceniks around the missile base of Comiso in Sicily was part of the plan. La Torre mobilized his party and took appropriate measures. Shortly after, he was killed by the Mafia.

## **Briefly**

● **ARIEL SHARON** made an unusual tour beginning Dec. 7 when he went from Las Vegas to Miami to Honduras. His U.S. side of the trip is being called private. Sources say the jaunt was on behalf of the Israeli mafia, which is bidding to corner the illegal drug trade in Honduras, where Sharon concluded a large arms deal. The Israeli planes sold to Honduras will allegedly transport the drugs into U.S. markets in Las Vegas, Los Angeles, Detroit, and Chicago.

● **JEAN-PIERRE, COT**, Minister of Cooperation in the French government, was fired on Dec. 6. Cot was mainly responsible for dealings with Africa; his so-called human rights orientation included opposition to transfer of nuclear technology to the continent.

● **I'M VASECTOMIZED'** is the name of the song that reached Number Three on the hit parade in Thailand. According to British press reports, over 700 men were vasectomized in Bangkok on Dec. 5 to celebrate the King's birthday. The architect of this policy, Mechai Viravaidya, is also head of the Thai Water Resources Authority, and has developed a program of rewards for citizens who can demonstrate minimal water use. He is also said to serve as liaison to his genocidalist counterparts in Peking.

● **MAHATMA GANDHI** was a flop, according to Tory British columnist Peregrine Worsthorne. The man who drove the British out of India "did not show us how to stop killing one other. If anything his life is an object lesson in how the best of intentions can have the worst of consequences. It was the British Raj that brought peace to the Indian sub-continent for the first time. . . . any British subaltern or district officer had a better record . . . in their own British way saintly."

## Beam-weapon initiative is changing U.S. politics

by Susan Kokinda, Washington correspondent

The advocates of a "nuclear freeze" are running into new obstacles in their effort to order the strategic debate according to their policy needs. The freeze movement was designed to provide the political muscle for a NATO policy of playing Kissingerian "arms reduction" games with the U.S.S.R. while securing a conventional buildup for "out-of-area" NATO deployments to keep the developing sector supine under International Monetary Fund looting. The intervention of the National Democratic Policy Committee, the Fusion Energy Foundation, and the Washington faction for whom Dr. Edward Teller has become a national spokesman, has already gone a long way toward melting the freeze. A "higher peace movement," as elaborated by *EIR* founder Lyndon H. LaRouche, Jr., based on anti-missile beam-weapon development, space exploration, and capital-goods exports to the Third World, has begun to transform the definition of the issues. Do you want to freeze nuclear weapons, or do you want to kill them?

The Dec. 7 House defeat of the MX missile, whose demise was planned for by Secretary of State George Shultz and resident IMF lieutenant Paul Volcker as a necessary sacrifice to the dictates of domestic austerity, may backfire on its authors if the heretofore squinty-minded MX debate evolves into a real dissection of the misconceived Mutually Assured Destruction and deterrence doctrines. The overarching question is the pursuit of advanced technology in general, and its potential to revive both the U.S. economy and rational negotiations between the two superpowers.

Efforts to blunt the beam-weapon initiative have emerged

in Congress as Sen. Charles Mathias, Sen. Larry Pressler, and Rep. George Brown took the floor during the first days of December to warn against the possible "militarization of space" and the new class of weapons systems being talked about by both the United States and Soviet Union. But perhaps the most noteworthy response came from White House Science Adviser George Keyworth, who in testimony before the Senate Armed Services Committee on the day after the MX defeat, warned that "it would be foolish to give up our strategic systems for purely defense systems. Maybe some day we can look in that direction. But no technology exists today to make it feasible." Perhaps Keyworth's ardor for the "densepack" MX basing mode and the strategic doctrine of deterrence upon which it is based, has led him to fear a successful effort to shift U.S. strategic doctrine to one of beam weapon-based defense. But his unsolicited comments attest to the perceived potential of the beam-weapon campaign and to the accuracy of continuing reports that the President himself supports the public initiatives by Dr. Teller.

### Malthusians attack beam weapons

As important as the strategic implications of the beam-weapon campaign are—that is, ending the threat of thermonuclear holocaust by ensuring that nuclear-bomb-bearing missiles can be annihilated in flight—the *cultural* implications are also striking terror among its opponents. "Freeze" supporter Prof. Richard Falk of Princeton University, an on-the-ground instigator of, and unabashed apologist for, the Ayatollah Khomeini's Dark Age, is reportedly concerned



Philip Ulanovsky/NSIPS

The counterculture-infested disarmament movement pictured here is giving way to a "higher peace" mobilization.

about the "technologically optimistic" world-view inherent in the space-based beam weapon proposal. Falk and others accurately assume that a resurgence of hope for a technologically expanded future will destroy the carefully inculcated mood of cultural pessimism imposed on the U.S. with the late-1960s limits-to-growth environmentalist hoaxes. Similar reactions have been received from British psychological-warfare specialists.

Leading congressional spokesmen for the international Malthusian command were deployed to launch the floor debate against space-based beam weapons. On Dec. 2, Sen. Charles Mathias (who has otherwise distinguished himself by propagandizing for the policies of the *Global 2000 Report*, and has associated himself with British directed efforts to destroy the U.S. Constitution) delivered the first shot. In remarks which implicitly acknowledged the damage already rendered to the freeze proposal by suggesting that its specific recommendations might be off base, Mathias said, "An analogous but even more dangerous situation exists in outer-space. Certain outer-space activity has contributed to arms control. . . . But this positive aspect is threatened by a space technology that is rapidly providing the ability to destroy national technical methods of verification. *We must negotiate a treaty outlawing war and arms in space, or prepare to defend our share of Earth from space warfare* [emphasis added]."

That day, Senate Foreign Relations Committee Chairman Charles Percy inserted into the *Congressional Record* a speech by Sen. Larry Pressler (R-S.D.) which singled out the danger

of a "space arms race" and declared that such an effort would not be in the interests of the United States. Pressler is a blow-dried Rhodes Scholar who has sought to repay his British sponsors many times over. Finally, Rep. George Brown, a California Democrat of the Jerry Brown-style of inner space exploration, repeated those warnings with a Dec. 7 insert on the "destabilizing technologies" proposed by Air Force Gen. Daniel Graham, an early advocate of space-based laser weapons.

### Real jobs and genuine peace

Thus far, these relatively feeble efforts have in no way kept pace with the LaRouche initiative for beam weapons in space. The FEF-drafted legislation, which couches the development of beam weapons within the context of a vastly augmented space exploration program and additional funding for thermonuclear fusion research, is now in the hands of congressmen and senators who are seriously studying the proposal. Among normally pro-defense Congressmen, many of whom, however, felt compelled to vote against the MX, the uppermost question concerns the level of commitment given by the Soviet Union to this capability. While no one has quite said it as Lyndon LaRouche did—"develop beam weapons or surrender to Andropov"—many recognize that the strategic balance will be unalterably shifted should the Soviets be the only runners in this race. Conservative Republicans, especially in the Senate, are intrigued with the effectiveness of the beam weapon campaign in countering the freeze.

The failure of Los Angeles Mayor Tom Bradley's nuclear freeze resolution to even reach a floor vote during the National League of Cities conference in Los Angeles on Dec. 2 signaled a perceptible shift in the content of the strategic debate away from the conventional war buildup policies of the freeze leaders. At the League of Cities conference, over 200 mayors, city council heads, and other municipal officials signed the petition circulated by the National Democratic Policy Committee calling for the creation of a strategic policy based on space-based beam defensive systems, on a renewed commitment to technological and economic advance. Among those signing the petition were Mayor Bissell from Oak Ridge, Tennessee, who led the floor fight against the freeze resolution.

The density and quality of activities generated around the country by NDPC/FEF campaigns have surpassed the effort which led to the League of Cities victory. Campus forums on the "higher peace movement" are scheduled around the United States. A two-day tour of New Mexico by FEF Plasma Physics Director Dr. Steven Bardwell (author of *EIR*'s special report on beam weapons) swept Albuquerque and Los Alamos with widespread press response and favorable coverage, characterized by a prominent article in the major daily, the *Albuquerque Journal*, headlined "Fusion Specialist Urges U.S. to Spur Beam Weapon Work." The article stressed Bardwell's contention that the spinoffs from the weapons technology would "further the goals of harnessing fusion energy for commercial power and revolutionize industrial processes."

Bardwell was greeted on his next stop by a previously published editorial in the *New Mexico Independent* entitled "A Real Jobs Program" which counterposes to the leaf-raking proposal currently before Congress, the tremendous economic effect of the development and deployment of space-based beam weapons. That high-technology approach to revitalizing the U.S. economy holds the possibility to break the American labor movement from the grips of AFL-CIO President Lane Kirkland, a member of the Trilateral Commission and the linchpin supporter of Paul Volcker's policy of destroying the U.S. industrial base (see article, page 51). Initial organizing forays into the hardest hit unions such as the United Steel Workers and the Building Trades, indicate the potential for such a "real jobs program"; the Defense Policy Committee of the AFL-CIO this month heard presentations on the space-based beam weapon proposal.

That Kirkland has, as yet, not openly tried to oppose the beam weapon campaign, and that he has deployed his international kapos to disrupt and attempt to destroy LaRouche-affiliated organizations, attests to his fear of the issue and his intent to keep it under wraps until LaRouche can be destroyed.

The fact that the LaRouche organizations are under an intense coordinated attack from the international oligarchy, exemplified by the *New York Times*-instigated grand jury proceedings in New York (see page 54), is not surprising if one understands the importance of the LaRouche-initiated campaign within the current U.S. political geometry. Not

only would organized labor prove itself unable to rescue the economy, but other political forces which oppose the nuclear freeze would be unable to rise out of the parameters set for them.

Exemplary were two press conferences held on Pearl Harbor Day—one by Rep. Mickey Edwards (R-Okla.), chairman of the American Conservative Union, and the other by Sen. Jeremiah Denton (R-Ala.) to announce different campaigns to fight the nuclear freeze. The projected \$1 million publicity campaign of the ACU is contentless at this point, until the organization "market tests" various approaches to countering the freeze! Responding to an *EIR* reporter's question about the effectiveness of the FEF's beam-weapon campaign against the California freeze movement, Edwards conceded that "such defensive systems must be understood and supported," but that "whether we will get into those other issues [will depend] on what is most effective." Denton, when asked by *EIR* why he made support for the MX the centerpiece for his "anti-freeze" campaign but did not mention the possibility of space-based beam weapons, replied, "I've known Dr. Teller for a long time. I respect him as a nuclear physicist, but I'm not so sure about his strategic or tactical prowess. I am aware of his proposals and they bear further study. But the MX is too good a thing to pass up now for something which may have viability in the future."

The next day, at the Armed Services committee hearings, Science Adviser Keyworth discounted the possibility of purely defensive systems. Analyzing the defeat of MX, Sen. Gordon Humphrey (R-N.H.) argued that the adoption of the MAD doctrine during the 1960s, and with it, the rejection of an active ballistic missile defense capability, had led the United States to a situation in which "we are being driven down a road of passive defense in which the options become less and less desirable."

Outlining those "undesirable" aspects of the densepack basing mode for MX, he categorized it as an archaic technology based on materials—i.e., cement used for the hardening of silos—in use since the time of the Romans; he asked Defense Secretary Weinberger if the United States would consider opening up the anti-ballistic missile (ABM) treaty so that the possibility of an active ballistic missile defense of the MX could be explored.

Weinberger replied that while it was not necessary to open up the ABM treaty to defend the MX with ABMs, in general he thinks that "ballistic-missile defense is a more hopeful way of protecting the world," and that he was not one who considered such a defense destabilizing.

Reflecting the still-inadequate level of the debate, neither Humphrey nor Weinberger indicated that they were talking about anything other than land-based ABM capabilities. Nonetheless, the stalemate around MX underscores Humphrey's assessment that acceptance of the MAD doctrine, as opposed to pursuit of an assured defense, has led the nation into increasingly undesirable options. It appears that official Washington is now primed to take on a serious defense debate.

# Lane Kirkland, DOS try to sabotage LaRouche

by Lonnie Wolfe

Council on Foreign Relations member Lane Kirkland, head of the AFL-CIO, is using not only the AFL-CIO International Affairs intelligence bureaus but the State Department's labor attaché offices to attempt to block the U.S.'s allies from supporting the only military policy that can end the prospect of nuclear disaster and begin to reverse the depression that is pushing the world toward war.

Any policy initiative that threatens to trigger a burst of "runaway progress" is anathema to Kirkland, who is the descendant of a slave-owning plantation family, and whose low-wage policy for American and foreign workers is identical to Fed banker Paul Volcker's.

Kirkland is a personal friend and collaborator of Secretary of State George Shultz, and has met with Shultz frequently in the recent period for policy confabs. Kirkland's ten-year friendship with Tavistock labor brainwasher Shultz, since the days when Shultz functioned as Nixon's Labor Secretary, highlights Kirkland's fundamental character as a neo-Malthusian, a believer in "scarce resources" and "limits to growth" whose job it is to "keep the boys in line."

The State Department's labor attaché posts abroad are creations of the AFL-CIO's International Affairs office, begun 50 years ago by Kirkland's mentor Jay Lovestone. Lovestone, still a powerful force in the federation, is the former head of the Communist Party, U.S.A., with documented connections to the KGB's "Okhrana faction" that maintains a continuity with the old secret police networks of the Tsars. Under Lovestone, and now Kirkland, the AFL-CIO's International Affairs branches have functioned as arms of the State Department-Council on Foreign Relations apparatus since the 1930s—the notorious "State Department socialist" connection.

This is a very ugly bunch. Irving Brown, the current International Affairs director, is a known collaborator of Luigi Scricciolo, arrested in Italy as a co-conspirator of the Red Brigades terrorists that kidnapped and killed Aldo Moro; Brown is also among the AFL crew that did its best to set Polish workers up for a bloodbath at the hands of the Russians.

The most recent instances of State Department/AFL-CIO sabotage against the beam-weapons initiative by LaRouche forces include:

- Nov. 30, Bonn, West Germany. An *Executive Intelligence Review* seminar presentation on beam weapons, for

government and industry officials, was subjected to systematic counterorganizing by U.S. Embassy personnel, who created a climate of fear around "security clearance" for the seminar, which was then withheld to prevent West German military and government officials from attending.

- Dec. 1, Frankfurt, West Germany. The *Frankfurter Rundschau*, a liberal paper with close ties to "State Department socialist" Willy Brandt, chairman of the Social Democratic Party party, devoted one-third of its second page to overwrought coverage of the seminar that listed a broad range of LaRouche-linked publications and associates in West Germany, then insisted that all of these were "obscure," "with little influence," and the subject of "an internal government dossier" that discounted their intelligence reports.

- Dec. 1, Brussels, Belgium. The Fusion Energy Foundation, the most active scientific association promoting the development of thermonuclear fusion and plasma research, came under heavy pressure to cancel a scheduled conference on beam weapons to be addressed by FEF's Dr. Steven Bardwell in Brussels on Dec. 13. The Belgian Energy Ministry, which had invited Dr. Bardwell to speak at another conference on nuclear energy, at another time and place, notified the FEF that its beam-weapons conference must be cancelled or their own invitation to Dr. Bardwell would be withdrawn.

- Dec. 4, Paris, France. AFL-CIO bureau chief James Baker, whose predecessor Irving Brown collaborated with an arrested terrorist, was caught running operations against LaRouche and his associates through the Boris Souvarine Institute, named after an expelled Russian, a colleague of the notorious Jay Lovestone.

On Dec. 7, a new Kirkland deployment was uncovered in Colombia. Two months of harassment of Colombian labor leaders by Kirkland's thugs have failed to prevent a mass demonstration against the International Monetary Fund policies scheduled for Dec. 9. Kirkland therefore deployed one of his top Latin American agents, Edwin Palenque, of the American Institute for Free Labor Development (AIFLD), an outfit run by the Lovestonites in the International Affairs Department of the AFL-CIO, to do what damage he could. Palenque worked as a one-man wrecking crew inside the Colombian unions, warning people to "stay away from LaRouche." He went so far as to leaflet a Colombian trade union federation's headquarters with anti-LaRouche slanders reprinted from the *AFL-CIO News*.

After years of heavy-handed thuggery against U.S. trade union officials collaborating with *EIR* founder Lyndon LaRouche, attacks on LaRouche and his associates abroad by the State Department and Lane Kirkland surfaced in October, with the activities of Jack Muth, Labor Attaché of the U.S. Embassy in Bogota, Colombia. Muth bragged that he, on behalf of Kirkland and the AFL, had blackmailed a Colombian trade-union official to prevent his working with LaRouche and his collaborators for a New World Economic Order. Muth reported this was part of an operation against LaRouche coordinated at the highest levels of the AFL-CIO.

# The New York Times is not really a newspaper

by Richard Freeman

*Part I of this series described the New York Times, America's most prestigious newspaper, as a "nonprofitable, non-newspaper. . . . The New York Times is an intelligence bureau." The Times, once run by interests who angered J. P. Morgan because of editorial attacks on the 1875 Specie Resumption Act's gold standard, was bankrupted by Morgan, who then purchased it, with the idea of making it into an international intelligence-gathering agency for the British Round Table. But Morgan did not wish to do anything obvious along these lines in his own name. He therefore went fishing for a buyer, and he found one in the "backwoods bankrupt," Adolph Ochs.*

## Ochs 'buys' the Times

After hearing that the *Times* was available for purchase in spring 1896, Ochs went to his close friend H. H. Kohlsaat in Chicago to get advice. Kohlsaat for most of his life was a high-ranking British intelligence operative, and close confidant of Col. Edwin House, the ranking American in charge of British intelligence interests in the United States.

Kohlsaat advised Ochs, "buy the *Times*." What proceeded next is straight out of a fairy tale. Ochs described in letters to his family how he impressed everyone, including especially J. P. Morgan, so much they willingly turned over the *New York Times* to him, the same paper which they had willfully bankrupted to keep it out of honest journalists' hands. According to Ochs, he, a high school drop-out who had run nothing bigger than a newspaper in Chattanooga, and whom every banker in New York could check to find a nonexistent credit rating; was welcomed by J. P. Morgan, and with no collateral, given large sums of money to buy the *New York Times*, one of the most prestigious newspapers in the country.

After he had "bought" the *Times* on Aug. 18, 1896, Ochs wrote to his pro-Confederate mother Bertha, "It is a matter of the greatest pride to me that I have enabled my mother to say that she is the mother of the publisher of the *New York Times*. I am here safely in a position which puts me in the front rank of the newspaper men of the world. . . ."

Ochs described in one fanciful letter how he supposedly "conned" Jacob Schiff, one of the world's most cut-throat bankers, into parting with his \$25,000 in *Times* stock:

It is a great story. Mr. Schiff has \$25,000 in old *Times* stock that cost him \$25,000 cash, but he told me to come again tomorrow and he would give me the certificate and I could do with it as I pleased. . . . He made me a present of the stock. Of course, he thinks it has no value, but it will get \$5,000 of new stock and I hope to make that worth par in less than 3 years."

Ochs's encounter with J. P. Morgan is even more suggestive. Harrison Salisbury, one-time executive editor of the *Times*, recounted the incident in his biography of the newspaper, *Without Fear or Favor*. Salisbury tries to shade over the obvious, but his account is worth noting:

Mr. Ochs valued his association with and his support by the eminent Wall Street men who assisted him in the purchase of the *Times*. To the end of his life he recalled with pleasure and surprise his first meeting with J. P. Morgan the elder in Morgan's portentous offices at No. 23 Wall Street, a young southern country entrepreneur of thirty-eight, expecting Jovian thunder. Instead, Mr. Morgan rose pleasantly from his desk, shook hands, and said, "So you're the young man I have heard about. Now where do I sign the papers?"

The meeting took only 15 minutes. Salisbury continues:

Mr. Morgan's reception was duplicated by the response of all the others, August Belmont, George Peabody, and Marcellus Hartley, director of the Equitable Life Assurance Society. . . . The truth was that for many years the *Times* was haunted by rumors that Mr. Morgan was its real owner, a rumor that bothered Mr. Ochs considerably in later life, but which may have served the paper in good stead in its shaky beginnings.

Of course, the rumor was true. Unlike Jacob Schiff, Morgan did not part with his *Times* stock for free. He exchanged his shares of stock in the old *Times* company for shares in the new *Times* company. Plus, it appears, he converted the bulk of the \$250,000 in *Times* debentures in the new *New York Times* company. Thus, J. P. Morgan remained holding the bulk of the *Times'* outstanding debt.

The outstanding 100,000 shares of the old *Times* company were converted into 10,000 shares of the new *Times* company. Adolph Ochs was able to afford only 1,125 shares of the new company at a price of \$75,000. Where did he get the money? From Wall Street. But owning 1,125 shares of *Times* stock did not give Ochs the majority of the shares, and thus ownership. To give Ochs control, Morgan and the other real owners of the *Times* voted to award Ochs an additional 3,876 shares in the *Times* free, thus giving Ochs 5,001 out of 10,000 shares, if Ochs could make the *Times* profitable for three years in a row. This proved no difficulty. All that was necessary was for the Morgan-Schiff-Belmont-controlled merchant advertisers who had withdrawn their advertising from the *Times* in the 1890s to put their advertising back in.

In sum, Adolph Ochs didn't buy the *Times*. He was given it for free.

However, even with all this aid, Ochs still fell into financial difficulty. At one point he got Spencer Trask, one of the Morgan-controlled Trask Co., to buy shares of the *Times* to help Ochs out. On another occasion, Ochs got a \$300,000 loan, a large sum for those days, from Marcellus Dodge of the Remington Arms Co., a big controller of the Wilson administration (1912-1920). In return for this loan, Ochs had to turn his stock ownership of the *Times* over to Dodge as collateral. For the first 20 years that Ochs "owned" the *Times*, 1896-1916, he had the stock of the company in his personal possession for only five years!

### **Morgan control of the *Times* today**

A cursory review of the *Times* today reveals that Morgan Guaranty still runs the *Times*. The principal members of the *Times*'s 12-member board of directors includes:

*William R. Cross*: Retired executive vice-president and vice-chairman Credit Committee, Morgan Guaranty Trust. Cross is a member of the New York Times Foundation and also figures prominently in the *New York Times* intelligence connections;

*Richard Gelb*: chairman of Bristol-Meyers Company, the drug company, and also a board member of Bankers Trust, a bank officially set up and controlled to this day by Morgan interests;

*William F. May*: dean of New York University Business School; former chairman of American Can Company, a Morgan-established company, and currently a board member of the Morgan-run Bankers Trust;

*Cyrus Vance*: former secretary of state, Vance is one of the 12 trustees of the Episcopal Cathedral of St. John the Divine in New York City, a position at the highest levels of the Church of England's lay hierarchy in the United States.

*George Shinn*: chairman of the Morgan-allied First Boston Corp. investment bank.

*William Scranton*: former Governor of Pennsylvania, a board member of the Morgan-allied IBM computer giant. (The chairman of IBM is on the board of Morgan Guaranty Trust.)

Of the other six members of the *Times* board, four are the children of Iphigene Ochs Sulzberger, the daughter of Adolph Ochs. One of these four children is Arthur Ochs "Punch" Sulzberger, the publisher of the *Times*. Another of the children is Marian Heiskill, chairman of the Council on the Environment of New York City, and wife of Andrew Heiskill, chairman and publisher of *Time* magazine.

Official control of the *Times* is supposedly lodged in the Ochs-Sulzberger Trust. The financial manager of that trust, at least through the late 1950s was Morgan Guaranty Trust. Information beyond that period is not available.

The stock transfer agent of the *New York Times* is Morgan Guaranty Trust. The registrar of the *New York Times* is Morgan Guaranty Trust. The dividend disbursing agent for the *New York Times* is Morgan Guaranty Trust.

The company that handles most of the *Times*'s financial transactions is Morgan Guaranty Trust, with some of the work being done by the Morgan-allied First Boston.

### **Mentally unfit**

During the period that Ochs supposedly ran the *Times*, in addition to his other incapacities, he had one outstanding quirk: he was mentally unstable and prone to breakdowns. David Halberstam, a former *New York Times* reporter, in his book about the *Times*, *The Powers That Be*, describes how the Morgan-puppet Ochs would self-destruct:

But it was a terrible moment for Ochs. . . . He went into a period of prolonged depression. He thought for a long time of retiring. . . . The crisis passed but the depression lasted.

It was not his first or his last depression, for he was almost surely a manic-depressive. There are no exact records concerning his illness, and much less was known about mental illness in those days (nor were family members as anxious to face the realities of illness), and his family, which still controls the *Times*, carefully smudged the description of his sickness in the authorized history of the paper. But there was talk about his melancholia, and his occasional prolonged periods of depression. . . . Later, during the years of his greatest triumphs, the illness seemed to hang most heavily upon him; *there were long, long periods of deep depression when he seemed almost immobilized, when he could not work and when he simply stared out into space for hours on end*. During these depressions he became totally convinced that his death was close at hand. (During one of his depressions he became obsessed with the subject of death, and bought a plot of land for his grave, writing to his family that he was very pleased with the purchase because it was on "nice high ground. Very desirable. No malaria.")

With this crackpot as the official head of the *Times*, the British Round Table had a field day.

*(To be continued)*

## The case against D.A. Robert Morgenthau

Judge Jeffrey Atlas of New York Supreme Court, in a ruling expected to be immediately appealed, denied two separate motions to quash grand jury subpoenas against individuals associated with *EIR* founder Lyndon H. LaRouche, Jr. The motions had seemed to unnerve New York District Attorney Robert Morgenthau. The National Caucus of Labor Committees, which LaRouche chairs, had filed an "intervenor's motion" to halt Morgenthau's witch-hunt against the LaRouche network, asking the court to quash subpoenas pending against PMR Printing Company and nine NCLC members.

The case stemmed from a raid on PMR related to an Oct. 24 supplement appearing in the *New York Times*, but said by the *Times* to have been bogus. Atlas's denial of the motions means that grand-jury proceedings could begin within a matter of weeks.

As the motion filed by the NCLC's National Executive and National Committees by Boston criminal attorney Odin Anderson states, "the Manhattan District Attorney's Office, and other parties are engaged in a protracted campaign to destroy the NCLC because of political animus for the policies and program of the association. The present investigation of the 'Profiles of the Times' incident merely provides a suitable pretext to accomplish that end.

"As provided in the included affidavits, the petitioners contend that the NCLC is the target of this grand jury investigation. Further, the petition asserts the grand jury lacks subject matter jurisdiction for this investigation; that said investigation is being conducted in bad faith and for political harassment purposes; and that abuses of the grand jury process have already taken place."

Therefore, the motion asserts, the grand-jury proceedings have the effect of "chilling," that is, inhibiting the First Amendment rights of the association.

This is further substantiated by the fact that DA Morgenthau has refused to disclose what crime—if any—he is investigating, even though grand jury proceedings in the State of New York, when dealing with non-government officials, are authorized to investigate only crimes specified by the District Attorney.

The motion states: "As the courts in this state have previously and properly realized, 'The powers of all inquisitorial bodies are subject to the limitation that their power is to be exercised, not as an end in itself. . . In the face of allegations

of harassment and bad faith, the government must minimally describe a relevant scope of inquiry and establish some basis for inquisition of and through the witnesses subpoenaed. . . . The court should quash all subpoenas where the government falls short of this threshold as does the Manhattan District Attorney's Office in this case."

Following are excerpts from the affidavits of NCLC National Committee member Kenneth Kronberg, president of PMR Printing Company, and NCLC National Committee member and security consultant Jeffrey Steinberg, submitted in support of the motion.

### From the affidavit of Kenneth Kronberg

1. I am a member of the National Committee of the National Caucus of Labor Committees ("NCLC"), and the President of PMR Printing Company, Inc. ("PMR"). I make this affidavit in support of the motion by the National Executive Committee and the National Committee of the NCLC to intervene in grand jury proceedings conducted by the District Attorney of the County of New York, to enjoin those proceedings. . . .

2. . . . I believe that the NCLC organization is a target of the grand jury investigation and that the investigation is being conducted in bad faith for political harassment purposes. The National Executive Committee of the NCLC and the National Committee of the NCLC are the governing bodies of the NCLC political association and are elected by the membership on a bi-annual basis to initiate and assure the execution of the political policy initiatives of the organization. The NCLC is an unincorporated political association. Members of the NCLC intervene in political events internationally, primarily on behalf of the NCLC's campaign for a New World Economic Order based upon policies of high-technology economic development and associated policies for scientific breakthroughs at the frontiers of human knowledge. In campaigning on behalf of these policies the NCLC has developed a unique political intelligence capability, allowing the organization to understand and influence strategic political events. The accuracy of this intelligence capacity is the primary basis for the NCLC's survival against powerful political opponents who propose a new Malthusian world order based upon "controlled disintegration" of the world economy. Since its founding in 1968 by Lyndon LaRouche, the NCLC has vigorously campaigned against proponents of the new Malthusianism and the genocidal consequences of such policies, particularly in Third World nations.

3. On November 16, 1982, the premises of PMR Printing Company, Inc. in New York City were searched by 17 individuals identifying themselves as detectives of the New York City Police Department. Twenty-three employees of PMR Printing Company, Inc. were subpoenaed by the identified police officers to appear before the New York County Grand Jury on that date. The police officers issued subpoenas to every person on PMR's premises in a blanket subpoena process which has been challenged on behalf of the individ-



uals in proceedings by their attorneys. A motion to quash those subpoenas is presently pending before Justice Jeffrey Atlas of this Court.

4. Nine of the individuals subpoenaed on November 16, 1982 are members of the National Caucus of Labor Committees. PMR Printing Company, Inc. is managed by members of the National Caucus of Labor Committees and owned by members of the NCLC or its supporters. All publications written and published by members of the NCLC or organizations associated with Lyndon H. LaRouche, Jr. are printed at PMR Printing Company, Inc.

5. Since the NCLC is the investigative target of the Grand Jury, and since the First Amendment associational and speech rights of the NCLC are at stake and adversely affected by the bad faith investigation conducted by the District Attorney, I believe that the NCLC is the real party in interest in these proceedings. The NCLC cannot protect its rights and the rights of its members without the Court granting its right to intervene and be heard concerning the nature of the District Attorney's investigation and bad faith harassment motive dominating that investigation.

#### **From the affidavit of Jeffrey Steinberg**

7. Since October 26, 1982, I have been in receipt of information from confidential law enforcement sources and other confidential news sources indicating that the NCLC and members of its National Committee and National Executive Committee are the targets of the grand jury's investigation and that the grand jury process is being utilized to generate information concerning the NCLC and its leadership and activities, which is not relevant to a legitimate grand jury investigation. The information is being sought primarily for political harassment purposes by and through political opponents of Lyndon LaRouche and the NCLC.

8. The information received falls into three broad categories:

(a) the grand jury process in New York County is being utilized for purposes of generating information for civil lawsuits by the *New York Times*, Roy Cohn, and other individuals;

(b) information developed from the grand jury proceedings in New York County and the District Attorney's investigation and presentation to the grand jury is being discussed in detail with political opponents of Lyndon LaRouche, including the *New York Times*, *Our Town* newspaper, Dennis King, Kalev Pehme, Chip Berlet, and Roy Cohn, and with federal law enforcement authorities not assigned to this investigation by the District Attorney's office: and

(c) the purpose of this investigation and other political harassment operations conducted at the same time is to financially drain the NCLC, destroy its political policy and information-sharing relationships with law enforcement and government personnel, and destroy the very fabric of the NCLC political organization. . . .

10. On October 26, 1982, the article annexed as Exhibit "B" was published in the *New York Times*. According to

that article, Manhattan District Attorney Robert Morgenthau began investigating a pamphlet entitled "Profiles of the Times" on October 25, 1982 upon complaints from the *New York Times* and Roy M. Cohn.

11. In the article annexed as Exhibit "B," *New York Times* general counsel Catherine Darrow states that the insertion of unauthorized advertising sections in newspapers or magazines is a misdemeanor under New York law. According to the *Times* account, copies of the pamphlet were delivered by three men in a dark van to newsstands in Manhattan and Queens. Some newsdealers said the deliverers instructed them to insert the article in the *Times*, and about 1,000 copies of the pamphlet may have been circulated, according to the *Times* account.

12. My attorneys have told me, after reading the *Times* account of the reason for the investigation and the New York Penal Code, they are unable to find any criminal misdemeanor or specifically statutorily defined by the events described in the *New York Times* account of the incident and no case law specifically applicable to such an incident. My attorneys have told me that the New York Penal Code is strictly construed. My attorneys have also told me that the persons responsible for "Profiles of the Times" might be subject to civil damages suits including defamation and possible unfair competition lawsuits by the individuals portrayed in "Profiles of the Times" and by the *New York Times*. . . .

*Paragraphs 23-38 detail the reports of confidential informants to the effect that persons including Dennis King and Edward Kayatt of the newspaper Our Town, Joe Conason of the Village Voice, and Chip Berlet of High Times are receiving materials from the grand jury's investigation; note that Our Town has posted a \$10,000 reward for information on "Profiles of the Times"; and report that the Federal Bureau of Investigation has become involved in the case, according to information from confidential informants. . . .*

39. According to information received from confidential informants and my own personal investigation, Robert Morgenthau is a close personal friend of Ariel Sharon, the Defense Minister of Israel. Morgenthau is presently the national co-chairman of an organization called International Conference for PEACE, a propaganda organization for West Bank expansion policies founded by Ariel Sharon in the United States.

40. The NCLC, in political campaigns within Israel, Western Europe and the United States for Middle East peace based upon intensive scientific and economic development of the entire Middle East, has consistently opposed the Sharon faction in Israeli politics. The NCLC has investigated and exposed the domination of this faction by organized crime elements acting against the interests of the Jewish state.

41. Meir Jolowitz, a national board member of PEACE, is also the National Director of the Jewish Defense League ("JDL"). Jolowitz, according to a confidential source, has received assurances from Morgenthau that any attacks conducted by the JDL against the NCLC will not be prosecuted.

42. In August and September of 1980, Citizens for LaRouche, the campaign committee for Lyndon LaRouche's presidential bid, received numerous death threats and warnings of physical assaults from the JDL. Complaints concerning these JDL activities were delivered by Citizens for LaRouche to the U.S. Attorney's office in the Southern District of New York and to Robert Morgenthau. Despite advice by the U.S. Attorney for the Southern District of New York that the complaints seemed to specify the crime of aggravated harassment under the New York penal law, Morgenthau and Assistant District Attorney Harold Wilson refused to investigate or prosecute these JDL activities. Harold Wilson is the Assistant District Attorney presently assigned to the investigation of "Profiles of the Times". . . .

44. In 1978, Paul Gallagher, a member of the National Committee of the NCLC had his skull fractured by David Newsome, an individual who engaged in occasional peripheral political activities with the NCLC.

45. The Manhattan District Attorney's office prosecuted Newsome for robbery and assault. Shortly before the trial Assistant District Attorney Robert Gottlieb demanded that Lyndon LaRouche appear at the trial in communications to Lyndon LaRouche's attorney. The reason for the appearance according to Gottlieb was that Newsome, a deranged individual, who insisted that he heard voices in his head, stated that Lyndon LaRouche had ordered him from Western Europe to assault Gallagher.

46. As a security consultant to LaRouche working in conjunction with security professionals, I was extremely concerned by these developments. Shortly before Gottlieb's demand, which our attorney advised me made no legal sense, LaRouche had been the victim of a serious security incident in Detroit where individuals associated with terrorist organizations had attempted to block his vehicle as it approached a major publicized speaking event in Detroit, Michigan.

47. I sought to arrange for appropriate security for LaRouche's testimony with Robert Gottlieb and with the District Attorney's office. All cooperation was refused by District Attorney Robert Morgenthau. Federal court intervention and a major political mobilization finally resulted in minimal protection being provided LaRouche for his testimony. . . .

50. In October of 1979, the *New York Times* published a three-part series on the National Caucus of Labor Committees in which the FMR Printing Company was identified as one of three companies "controlled by party associates."

51. The defamatory articles by the *Times* were published, according to the co-author Paul Montgomery, for the purpose of launching law enforcement investigations against LaRouche and his associates **regardless of the truth or falsity of the allegations.** (See the affidavits of Paul Goldstein and Charles Tate annexed as Exhibit "E"). Specifically, the *Times* insisted that LaRouche be investigated for tax purposes (see Exhibit "F" annexed hereto) and called for the Federal Election Commission to deny Lyndon LaRouche's

1980 Democratic presidential campaign its federal matching fund application. The *Times* article also emphasized the necessity for investigations concerning LaRouche's ties to elements of the United States intelligence community. . . .

53. The *New York Times'* October, 1979 series of articles had originally been scheduled for publication in the summer of 1979. However, the National Caucus of Labor Committees learned the pendency of the defamatory series and interviewed reporters Howard Blum and Paul Montgomery prior to publication concerning their motives and the content of the article.

54. As a result of Blum's and Montgomery's disclosures of malice during that interview, and widespread circulation of these disclosures by the NCLC, the *Times* publication was delayed. However, beginning on August 24, 1979, *Our Town*—the publication now offering a \$10,000 reward for information in District Attorney Morgenthau's investigation of the NCLC—began a defamatory series on the NCLC. The author of these articles was Dennis King, an individual associated with the terrorist Yippie organization and formerly associated with the violent and anti-Semitic Progressive Labor Party, and, according to the information specified in this affidavit, an individual now receiving materials from the grand jury investigation. . . .

57. Roy M. Cohn is the attorney for Edward Kayatt and *Our Town*, and Cohn's lawfirm, Saxe, Bacon & Bolan defended the newspaper, Kayatt, and King in a subsequent lawsuit brought by LaRouche. Upon information and belief, Roy M. Cohn sponsored and instigated the *Our Town* series of defamations. Kayatt began the *Our Town* publishing venture following his conviction in U.S. District Court for the Eastern District of New York on a felony charge stemming from his participation in a counterfeiting ring.

58. *Our Town* has published numerous defamatory articles on LaRouche and his associates since the 1979-1980 Dennis King series. These publications included prominent front-page identification of LaRouche's New York address and pictures of that residence with the full knowledge that LaRouche is a target of death threats and violence from the Jewish Defense League and other terrorist organizations. Reporters for *Our Town* have actively harassed LaRouche's neighbors in an unsuccessful effort to force a "community" outcry against LaRouche's presence in the neighborhood.

59. At the instigation of the *New York Times*, *Our Town*, and the Democratic National Committee, the Federal Election Commission ("FEC") did, in fact, launch an investigation into the financing of Lyndon LaRouche's 1980 presidential campaign. The FEC investigation was conducted throughout the 1980-81 period.

60. On March 9, 1982, a preliminary injunction was granted on grounds of bad faith harassment against the FEC investigation into Citizens for LaRouche (LaRouche's principal campaign committee) by the United States District Court for the Southern District of New York, Charles Brieant, USDJ.

# The Chicago tunnel and reservoir project: infrastructure to restore city's greatness

by John H. Brown, Jr.

When James Fenimore Cooper's legendary hero Natty Bumppo led his small group of adventurers to the shores of the Great Lakes in *The Pathfinder*, the city of Chicago was no more than a wilderness outpost, visited infrequently by traders and trappers. Chicago's growth over the intervening century and a half—from incorporation as a village in August 1833, to incorporation as a city in March 1837, to prosperity as the nation's second-most-prominent urban center—has depended at each point on innovative engineering solutions

to the unique problems of its siting on the banks of Lake Michigan. Now, the city of Chicago has undertaken the most challenging engineering project in its history, the Tunnel and Reservoir Project, which, when successfully completed, will set a new international standard for urban flood control and sanitation management.

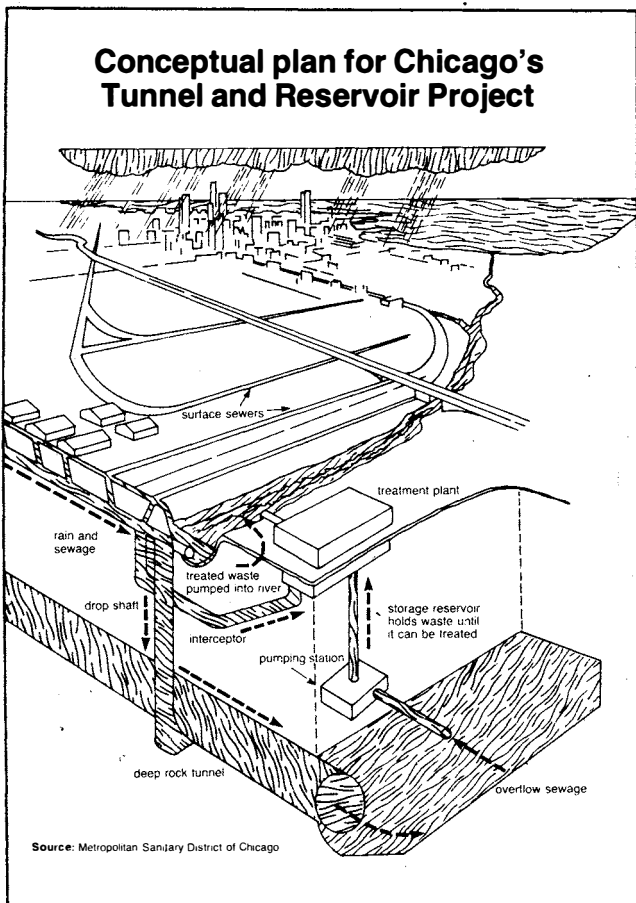
## A history of engineering successes

Chicago has a history of innovation in its approach to urban sanitation, particularly since it was struck by a disastrous epidemic in the middle of the 1880s.

In the summer of 1885, a torrential rainstorm flooded the city, causing the sewer system to overflow, and carrying raw sewage far out into Lake Michigan, where it contaminated the city's drinking-water supplies. The resulting epidemic of water-borne diseases resulted in some 90,000 deaths. Such epidemics had occurred on a smaller scale in the past, as Chicago's sewer system, built in 1856 to dump the city's waste into the Chicago River, created a growing potential for drinking-water contamination as the city's population grew. But the shocking death toll of the 1885 epidemic indicated that Chicago's problems with its sanitation and water system had reached life-and-death proportions.

In 1886, a Drainage and Water Supply Commission was created to study the problem of contamination of the city's water supply. The commission's work resulted in the formation of the Chicago Sanitary District in 1889; the District was charged with engineering responsibility for the city's problems of sewage and water pollution.

In 1892, the Chicago Sanitary District began construction on the main channel of the city's Sanitation and Ship Canal. The canal was designed to reverse the flow of the Chicago River by linking it with the Des Plaines River, thus preventing the flow of sewage into Lake Michigan and pollution of drinking-water supplies by the river. After the 32-mile-long canal was completed and put into service, work was begun on a series of interceptor sewers in the densely populated area of the city along the front of Lake Michigan. The interceptor sewers were designed to capture the flow from existing sew-



ers discharging directly into the lake, and to eliminate this source of pollution. With the completion of this project, and the continued growth of Chicago, the city's Sanitary District was replaced by the Greater Metropolitan Sanitary District of Chicago (MSD), whose 20th-century accomplishments the American Society of Civil Engineers have named as one of the seven engineering wonders of the United States.

The MSD's Tunnel and Reservoir Project (TARP), now off the drawing boards and in the implementation stage, was first conceived of in 1972, when a Board of Trustees was convened to investigate the problems being created by heavy rainwater overflow into the city's waterways, highway underpasses, and even the basements of homes and buildings. The board, which consisted of representatives from the State of Illinois, the City of Chicago, Cook County, and the Metropolitan Sanitary District, commissioned an engineering team to draw up plans for the complete overhaul and modernization of Chicago's sewer, water-control, and sewerage-treatment facilities.

### How the TARP will work

TARP was designed as a two-phase construction project to upgrade Chicago's surface sewer system to handle current ground-water flows, and to create underground reservoirs in which run-off surface rainwater and river-borne sewage can be bottled up and held for treatment. With completion of the project, there will be no more water damage in the city following rainstorms, and no more pollution of Chicago's water supply. The project will serve a 375-mile area in and around the city of Chicago, which includes approximately 13,500 miles of sewers and 640 overflow outlets which presently discharge sewage and storm water flows into area streams.

The first step in TARP is the widening, deepening, and extension of surface sewerage systems in Chicago and its suburbs, so that this system is capable of handling industrial and domestic waste, even when large amounts of ground-water run-off are added to the system with seasonal snow melt or during a rainstorm.

Next, TARP's engineers are constructing a series of drop shafts, which will draw rain and sewage out of the surface system into underground reservoirs, where it will be stored until it can be pumped back to the surface for processing in one of the modern sewage-treatment facilities being constructed as part of the project.

Four separate tunnel and reservoir systems are being constructed to serve the project area: the Calumet System in the southern part of the area southeast of the center of the city; the Mainstream System in the heart of Chicago and nearest to the shores of Lake Michigan; the Des Plaines System, which is already complete; and the Upper Des Plaines System to the Northwest of the city center. For the four systems, 252 drop shafts will intercept surface sewage channels, and carry waste and rainwater underground, away from the area's rivers and Lake Michigan. The drop shafts will discharge into 131 miles of reservoirs and connecting tunnels, ranging in

diameter from nine to 36 feet.

The largest of these tunnels is the planned 180-foot-deep section of the Upper Des Plaines System. The tunnels will be located in a massive formation of dolomitic limestone, which will provide a minimum of 100 feet of rock cover over the tunnel crowns. The 30-feet-in-diameter boring machines used in construction of the underground system are among the most advanced technologies for hard-rock tunnel boring and modern mining.

Phase I of TARP also includes the completion of four pumping stations, which will remove stored water and sewage from the underground reservoirs, and deliver it to surface treatment plants for discharge into area rivers.

### Will TARP be completed?

TARP will cost about \$3.2 billion in constant 1980 dollars, according to Metropolitan Sanitary District Chairman Nicholas Melas. The program has received 75 percent federal funding under the 1972 Clean Water Act, and much of the remaining 25 percent of funding is available from the state of Illinois.

The project has already created more than 2,000 jobs in the Chicago area, many of them for minority workers, and has received recognition as a model of engineering excellence and ingenuity from Japan, Australia, and several African nations, which are particularly interested in the application of high-technology tunnel-boring equipment to their construction and mining efforts at home.

Although Phase I of TARP is nearing completion with the construction of the underground tunnel and reservoir system, the project is threatened by growing political opposition. TARP's opposition from within Illinois is led by anglo-philic Sen. Charles Percy, who is masterminding statewide and Capitol Hill lobbying campaigns against the project. Backing Percy implicitly is Chicago Mayor Jane Byrne, who has ignored TARP throughout her term in office, despite the engineering and scientific evidence that the city's water and sanitation systems, on the verge of breakdown without TARP, pose a death-dealing threat to Chicago's residents. Backing Percy explicitly on its editorial pages and with its news coverage of the TARP project, is the Chicago *Sun-Times*, which has labeled the modernization effort a politicians' "boondoggle."

The conspicuous voice of support for TARP is that of LaRouche Democrat Sheila Jones, who placed TARP's completion high on her list of priorities during her campaign for U.S. Congress last fall. Now a challenger to Byrne for the Democratic Party's nomination for Mayor of Chicago, Jones has scored both the Mayor and the *Sun-Times* for their sabotage of TARP. This is not Jones's first run-in with the Field-family run *Sun-Times*. The Democratic Party leader, who is also chairman of the Illinois Anti-Drug Coalition, is now in court against the *Sun-Times*, charging the paper and its notoriously pro-marijuana reporter Chip Berlet, with unlawful disruption of the coalition's organizing work in the state.

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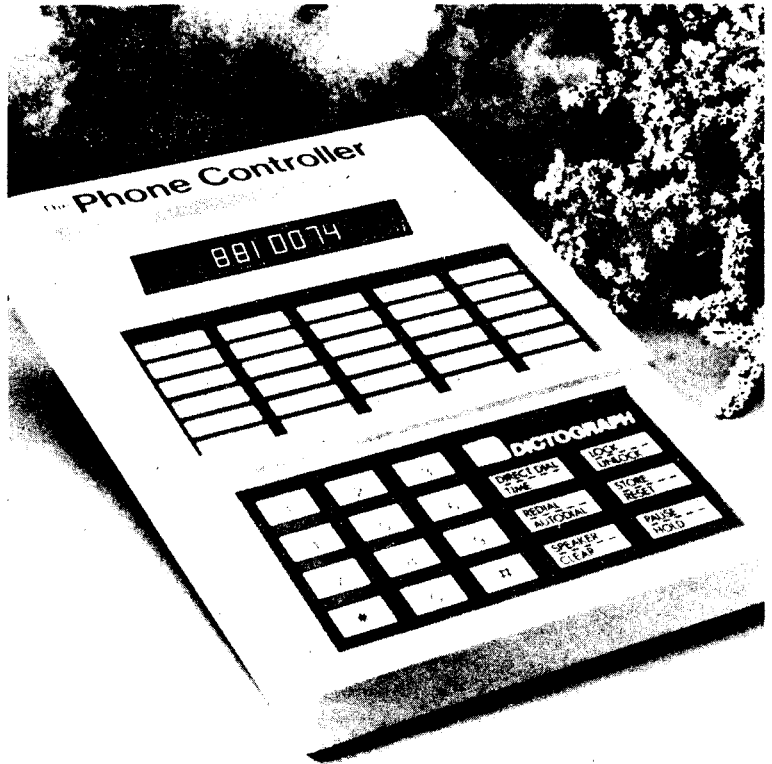
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## Senate committee completes Abscam coverup

The special Senate Committee charged with investigating wrong-doing in the FBI undercover operation known as Abscam is expected to file its completed report with the Senate by Dec. 15. As many expected after the Senate capitulated to extreme pressure and moved to expel Sen. Harrison Williams, the report will be a whitewash.

According to Capitol Hill sources, the report will conclude that none of the seven members of Congress who have been convicted and whose cases are currently on appeal were illicitly targeted; that none of them were entrapped by the FBI; and that the sloppiness in the investigation is nothing that cannot be corrected by better management and supervision of such investigations. Specific criticisms expected from the report that the FBI relied excessively on the informants' say-so that certain officials were "prone to take bribes"—which was all the "probable cause" that the FBI had to go on—that convicted con artist Melvin Weinberg was not supervised strongly enough, and that there were gaps in the videotaped, recorded, and written FBI reports on the investigation, are all expected to be gross understatements and amount to a slap on the wrist.

Sources have also discounted any ulterior motive for chief committee counsel James Neal taking up his law practice again in October, long before the committee report was ready, although he remains as a consultant to the committee. The means to ensure that nothing explosive came out during the investigation was firmly in place. "They just got bored," one source said, "Senators and staff just began losing interest when they began

to think they'd find nothing big."

The Senate investigation has contrasted with that of the House Judiciary subcommittee on Civil and Constitutional Rights chaired by Don Edwards (D-Calif.). The House committee has heard from many witnesses including the U.S. attorneys who have stated that the court convictions of the Abscam victims have held so far because no one has all the facts, especially the judges; that a special prosecutor should be impaneled to investigate and prosecute Mel Weinberg; that malfeasance of office and other charges might be applicable to government officials in Abscam; that there was fabrication of relevant facts; that the bounds of proper conduct of prosecution had been overstepped; and that the rights of innocent citizens in Abscam had been savaged with no redress, and no one held accountable.

## Increased aid to Israel despite White House pleas

The Senate Appropriations Committee affirmed its Foreign Operations Subcommittee decision to increase military and economic aid to Israel, despite administration requests to hold the level to that requested by the administration. The full committee passed the increased aid request in action taken on Dec. 2.

The earlier action by the subcommittee had been fought by Mark Hatfield (R-Ore.) (chairman of the full committee as well as subcommittee member), who read the subcommittee a note from National Security Adviser William P. Clark who argued that the aid increase would "undermine the peace initiative." The \$125 million increase in economic aid and the \$350 million increase in military aid, Hat-

field argued, "is sending a signal that [the subcommittee] supports the invasion and continued occupation of Lebanon." The original administration request for military and economic aid for Israel, part of the foreign aid package for fiscal 1983, was made before the Israeli invasion of Lebanon.

Despite the Senate appropriations committee action on the entire foreign aid bill, of which the Israeli aid is only a part, it is extremely unlikely that the foreign package will be brought up for passage during the lame-duck session. In that case, aid will be continued under a new stopgap continuing resolution, and the administration effort to keep aid levels to those established in their original request is apparently aimed at influencing that stopgap funding bill.

## Times security leaks raised in Senate confirmation

The conservative group of U.S. Senators who have organized themselves informally into a Senate Republican Steering Committee are holding up the nomination of former *New York Times* reporter Richard Burt as Assistant Secretary of State for European Affairs, citing among other causes, his role in writing *Times* articles which were damaging to national security. Burt's nomination came to the Senate floor on Dec. 8, along with the nominations of Robert Grey, Jr. as deputy director of the Arms Control and Disarmament Agency, and Richard McCormack as Assistant Secretary of State for Economic Affairs. Grey is also opposed by the conservatives, while McCormack is being blocked by a group of liberal senators in retaliation.

The threatened filibuster against

Grey, lead by Helms, (R-N.C.), Grassley (R-Iowa), Symms (R-Ida.), Jepsen (R-Iowa) and Denton (R-Ala.), according to sources in the White House, may lead to Grey's sacrifice in an effort to salvage the Burt nomination. Malcolm Wallop (R-Wyo.) of the Senate Intelligence Committee, speaking also for the absent Chairman of the Intelligence Committee, Barry Goldwater, (R-Ariz.), charged that Burt's 1979 articles about U.S. satellite reconnaissance systems endangered U.S. national security. Orrin Hatch has also questioned Burt about recent *Times* articles on arms control which appeared shortly after Burt, now serving in another capacity in the State Department, met with *Times* reporters. Burt has denied leaking to the *Times*, the Senate Foreign Relations Committee has concluded that his earlier revelations as a "reporter" had been taken into account in clearing the nomination for floor action.

## House passes nuclear waste bill

The nuclear waste bill, H.R. 5121, which the House passed by voice vote on Dec. 2, is substantially more oriented toward environmentalist preferences than the Senate version passed last April. An effort will be made to work out the differences between the two versions and get a compromise bill passed before Congress adjourns, otherwise the bills will die with this Congress. Getting a waste bill through Congress is a prerequisite for a U.S. civilian nuclear energy future. Environmentalists have used the nuclear-waste issue as one of their main weapons to stop nuclear energy development.

Both the House and Senate ver-

sions would establish a process leading to permanent underground disposal of high-level radioactive waste by the mid-1990s.

The differences between the two versions center around burial siting and retrievable storage. According to one House source, environmentalist-oriented members are concerned about Senate efforts to circumvent state vetoes on siting decisions by allowing some of the storage facilities to be operated by private concerns. The Senate, claiming that utilities are running out of room to store spent fuel, is more favorable to an interim federal storage site. On the question of monitored, retrievable storage, the Senate would mandate building long-term facilities that would enable spent fuel to be retrieved for recovery of plutonium by means of reprocessing, a technology also essential to expanding the energy resource base of the nuclear cycle. The House version, however, proposes a five-year study to look at the issue, apparently fearing that it would become an alternative to permanent burial. And, the House has more provisions for preserving the "adequacy" of environmental-impact statements and reviews.

Given the limited span of the lame-duck session and the pressure of other business, it is unclear whether a compromise can be reached.

## 'Jap-bashing' bill moves to House floor

Characterized as a "going-away present for old Doug" Fraser, President of the United Auto Workers, legislation mandating that cars sold in the U.S. have a high percentage of U.S. parts, was cleared for House floor action by

the Rules Committee on Dec. 7. The bill, introduced by Rep. Richard Ottinger (D-N.Y.) and supported by organized labor, would severely restrict imports of foreign-made cars, which could not cost-effectively meet the requirements of the "domestic content" provisions.

The House Rules Committee—meeting on Pearl Harbor Day—heard opponents of the legislation, with administration support, warn of a new wave of retaliatory protectionism if the measure should become law. At the same time, the full House was adding an unprecedented "Buy America" provision to a highway improvement bill, by leaving out the traditional loopholes which allow foreign goods to be purchased. Ways and Means Committee member Bill Frenzel (R-Minn.), who have been leading the fight against this new wave of protectionism, warned of "the most severe restrictions in the nature of a 'buy America' provision that I have ever seen."

Sam Gibbons, the leading Democrat on the Ways and Means Committee opposing the legislation, warned that passage of the "domestic content" bill would carry with it echoes of the trade wars of the 1930s. He further argued that the protectionist backlash would cost American workers more jobs than it would create.

The AFL-CIO and UAW leadership has backed the legislation as a sop, while it continues its policy of protection for Paul Volcker and his usurious interests rates which have been the single greatest immediate cause of the collapse of the U.S. auto industry.

While the legislation is expected to pass the House, it will probably not pass the Senate this session.

# National News

## Anglo-American press follows heartless profile

Both the *Chicago Sun-Times* and the *New York Times* have followed the lead of the London *Daily Telegraph* in attacking the history-making operation that gave Dr. Barney Clark an artificial heart this month as too costly, a development that could deprive other sectors of the population of health care. The *New York Times* went so far as to print an article Dec. 5 which stated that the physicians who had developed the artificial heart and carried out the operation had given Dr. Clark a "key" with which he could turn off the air pump which powers his heart if he wants to end his life. Dr. Chase Peterson, of the health sciences division of the University of Utah, stated that they had not given such a "suicide plug" to Dr. Clark; the key will allow him to switch to a second compressor manually in case of malfunction.

The *Daily Telegraph's* medical consultant greeted the operation with the statement: "When will United States surgeons allow Americans to die in peace?" Dr. Clark had, in the paper's assessment, "already died once," and should not have been revived.

The *Sun-Times*, following the British lead, editorialized Dec. 4 that the real issue of the operation was "How much will it cost? . . . Who will decide who lives? . . . Is it worth the price? . . . The editorial attempts to oppose spending "a million dollars for preventive medicine that could help a thousand people" to spending "it on 10 artificial hearts to prolong 10 lives for three years," denying the fact that such medical breakthroughs not only preserve individual lives, but also generate essential knowledge for upgrading overall medical science.

## Des Moines target of health-care destruction

The Public Agenda Foundation (PAF) of New York City has been running a media campaign for the past three months intended to "convince" the population of Des Moines, Iowa, that the only way to cut spiraling health-care costs is to accept serious reduc-

tions in both quality and quantity of medical care. The PAF, which specializes in "explaining in simple terms the complex public policy issues of the day to ordinary people, and showing them what options are available," as a spokesman told a reporter Dec. 6, has inundated Des Moines with propaganda purporting to show that rising health costs are inevitable unless people choose Health Maintenance Organizations (HMOs) and hospices as opposed to hospitals, and accept significantly higher health insurance deductibles and limits on "too costly" advanced medical technologies.

The PAF project was financed by the Markel Foundation, and supported by the local Des Moines medical association, by local unions, politicians, and the *Des Moines Register*. The campaign included a half-hour special television show aired on every local station, radio spots, leaflets, and newspaper articles, featuring project advisers and staff members presenting "evidence" of the need to reduce access to quality medical care. The project culminated in a lengthy questionnaire, distributed to thousands of area residents in the form of an insert in the *Des Moines Register*.

The results of the questionnaire will be distributed to Congress, the White House and other policy-making institutions to influence decisions in the debate on health care policy.

## Hinckley psychiatrist funded by Scottish Rite

Dr. William T. Carpenter, the psychiatrist who acted as chief defense witness for would-be presidential assassin John Hinckley, Jr., received research funding from the Northern Jurisdiction of the Scottish Rite Masons, according to *EIR's Investigative Leads* newsletter.

Carpenter, director of the Maryland Psychiatric Research Center in Catonsville, Maryland, was awarded funding to do research on factors contributing to schizophrenia in the spring of 1981 from the Scottish Rite's "charitable program" for schizophrenia research. This is a special project of the Northern Jurisdiction, begun after World War II.

The schizophrenia research program was

begun at the same time as Aldous Huxley, himself a life-member of the Scottish Rite offshoot, the Order of the Golden Dawn, began building up the MK-Ultra project in the United States. MK-Ultra was responsible for flooding the United States with psychedellic drugs in the 1960s.

Carpenter, who examined Hinckley on several occasions after the attempted assassination in May 1981, formulated the defense case that Hinckley, as a victim of "process schizophrenia since 1976," was not responsible for his actions. Government attorneys challenged Carpenter's testimony, on the basis that during the pre-trial "examinations" he had planted in Hinckley's mind the idea that he was schizophrenic.

Two schizophrenia specialists at the Laboratory of Pre-Clinical Pharmacology at St. Elizabeth's Hospital in Washington, D.C., where Hinckley was processed after his arrest, also received grants from the Scottish Rite Northern Jurisdiction in the spring of 1981.

## Nuclear freeze leaders' 'hidden war'

An investigation of top leaders of the so-called nuclear freeze movement has uncovered what one leader terms a "hidden agenda" established for the movement by figures including Vietnam butchers Robert McNamara and Daniel Ellsberg; former defense scientist and leader of the Union of Concerned Scientists (UCS), Dr. Henry Kendell; Princeton's Richard Falk; and Dr. Helen Caldicott.

The agenda is *not* to halt nuclear war, which Kendell in debriefings insanely terms a "hollow threat," but halting the threat of "unrelenting technological optimism" within both the United States and the Soviet Union.

The debriefings reveal the freeze leaders are themselves becoming terrorized by cultural optimism, as they perceive beam-weapon advocate Dr. Edward Teller to be "already functioning as a spokesman for the administration." Dr. Henry Kendell reports the UCS is now frantically pulling together a thick "reply to Mr. Teller" for release some time in January. Kendell states "I want to be clear, I and my colleagues are not involved



## Briefly

in a disarmament movement. We are supporting improved conventional arms build-up. While defensive conventional weapons and directed energy weapons [proposed by Teller] do provide defense against incoming weapons," he opposes them. "No. There are other reasons, I mean in the long view. The problem with these ABM weapons is you face an ongoing problem of breakthroughs. Teller basically feels we should preserve our security by an unrelenting technical arms race, and necessary to support that view is technological optimism. Now," he warns, "there are other things that go along with that too."

Richard Falk, one of the gamemasters who installed Khomeini in Iran, states: "It is a question of an entire trend of a civilization. Technological optimism is not just an American trait, but may be a Soviet trait as well, the idea that the promise of the future is somehow bound up in the mastery of technology."

### Graser: the ultimate laser-beam weapon

Scientists at Lawrence Livermore and Los Alamos National Laboratories have now determined that their recently developed x-ray laser opens up promising prospects for the construction of a gamma ray laser—the ultimate beam weapon. The graser, as the gamma-ray laser is termed in the scientific community, would be the first true nuclear laser and would generate a beam of the most intense and penetrating form of electromagnetic radiation.

Gamma rays are the most efficient form of energy to utilize for disabling nuclear warheads, because they generate nuclear reactions when they come into contact with fissionable materials such as those found in nuclear weapons. The rays would destroy the warhead's triggering mechanism making it a "dud." The graser would also be capable of penetrating clouds and other obstacles which preclude operation of conventional lasers. Therefore, the graser could be deployed either on earth or in space. It would also provide an ideal method of transmitting power to satellites in orbit.

Extremely large energy-flux densities are needed to pump the gamma-ray laser. This

prerequisite appeared to be totally incompatible with the other chief condition needed to achieve a graser—that of maintaining a delicate crystalline structure in the gamma-ray lasing medium. As George Baldwin of Los Alamos reports in his most recent review of grasers in *Reviews of Modern Physics*, recent developments with x-ray lasers changes this entire situation. X-ray lasers have the required energy-flux density to achieve the prerequisite nuclear transformations without destroying the crystalline medium.

Nuclear-bomb-driven x-ray and gamma-ray lasers will provide the ideal combination for effective beam-weapon defense against ICBMs.

### Beam weapon campaign burns campus ZPGers

A forum given by Fusion Energy Foundation Director Paul Gallagher to the Conservative Students Society of California Institute of Technology on the need for a crash U.S. program to develop anti-ballistic missile beam weapons Dec. 7 got a negative response from a group of 30 pro-nuclear freeze professors and students. The pro-freeze disrupters chose to center their disagreements not so much on the merits of beam weapons, but by attacking the Fusion Energy Foundation for its advocacy of the Keplerian tradition of scientific method.

CalTech was the base of World Federalist science operative J. Robert Oppenheimer, whose spirit continues to rule the campus today through his protégé Marvin Goldberger, CalTech's current president. Goldberger was recently discredited at a public appearance through his inability to credibly debate one of the FEF's beam weapon experts, Dr. Steven Bardwell.

The attack on the Keplerian method is consistent with the Oppenheimer grouping's general opposition to nuclear power, space exploration, beam weapons and other high technology ventures, as it is the Keplerian tradition in science, as elaborated by Leibniz, Gauss, Riemann, and Einstein, which has been responsible for virtually every fundamental breakthrough in basic science since the Renaissance that has made such modern technologies possible.

● **JOHN BAKER**, the son of White House Chief of Staff James Baker III, a confidant of Vice-President George Bush, was arrested Dec. 8 on charges of selling more than a quarter ounce of marijuana. If convicted of the second-degree felony, Baker faces 2 to 20 years in prison. He is currently free on \$10,000 bail. The case, which will go to a Texas grand jury Dec. 13, is especially ironic because James Baker based his losing 1978 campaign for Texas Attorney General on a promise of a "massive statewide coordinated crackdown on drug trafficking."

● **HENRY KISSINGER** gained power in a State Department reorganization announced Dec. 8. Under the new plan, the department's Policy Planning staff will be disbanded and replaced with a panel of five outside experts representing "the foreign-policy establishment" empowered to determine what long-term goals should guide current foreign-policy actions. As explained by its authors, the purpose of the new arrangement is to take foreign policy out of the hands of elected officials, entrusting it to Council on Foreign Relations "professionals" instead.

● **THE DOS** on Dec. 8 officially denounced those U.S. embassy officials in Paris, Bonn, and Bogatá who have been engaged in defamatory characterizations of Lyndon LaRouche. "Such characterizations are not authorized, and as a standard practice U.S. officials refrain from offering personal opinions while acting in their official capacities," the State Department said in a written statement entitled "State Policy re: Anti-LaRouche disorganizing activities."

## Editorial

# We were right

The U.S. Labor Department announcement that the official unemployment rate rose to 10.8 percent during November confirms *EIR*'s warning in our Nov. 2 issue that the United States would enter a new, and worse, period of economic decay during the fourth quarter.

The 10.8 percent rate, up from the previous 10.4 percent postwar record set the previous month, ignores so-called "discouraged workers," former employed now on welfare, new labor-force entrants who have not registered with the Labor Department, forced retirees, and other categories of unemployed. If these excluded workers were counted, the real unemployment rate would be in excess of 23 percent—just short of the all-time worst rate of the last Great Depression.

Our forecast, conducted with the LaRouche-Riemann computer-based model of the United States economy, warned that the rate of economic decline would worsen, from a 7 percent per annum fall in tangible-goods output during the December-September period, to a 10 percent rate of decline during the fourth quarter starting in October—and through the next several quarters, if there were not a basic policy change in Washington.

In fact, the rate of decline of industrial output, at 7 percent during September, was over 10 percent during October at annual rates. The extraordinary decline of industrial orders makes inevitable a continued decline of industrial production at a rate of 10 percent or worse for the last quarter of this year. And there is no sign whatever of improvement afterward.

In the United States, labor leaders and other depression-weary citizens have taken no action commensurate with the collapse, or adequate to begin reversing it. In South America, unionists are out on the streets accurately identifying the International Monetary Fund's policies of austerity and debt-extortion—the same policies Paul Volcker has inflicted on a passive American population—as the enemy of their national survival. The "debt bomb"—refusal to pay without new development-gear credit and rational financing terms—is being taken up.

Secretary of State George Shultz, the technocrat for whom Henry Kissinger is the enforcer, has responded by trying to put in place the scheme *EIR* has exposed for the past year: an attempt to dump the bankruptcy of the international financial system onto the books of the United States, rescuing Eurodollar bookkeeping at the expense of the remaining industry of what was once the world's economic leader.

In Kronberg, West Germany on Dec. 9, the Group of Five finance ministers proposed a "new international financial institution" that would focus on short-term bailout of Ibero-American creditors. They insisted that it is possible to have a reflationary stabilization of the world banking system without reversing the awesome collapse of world trade. The Kronberg session was intended to be a "pep talk" to rebuild confidence in the international credit markets, according to senior IMF and OECD officials: "Of course, the results will only be cosmetic," they said, "but it will have an important psychological effect."

But the meeting ended up "a bigger failure than Toronto," as *EIR* founder Lyndon LaRouche put it, referring to the IMF's autumn conference. No bailout funds were secured, and even the long-term agreement to expand quota contributions by 50 percent did not materialize.

Bankers and financiers are squabbling about whether to pursue a "safety net" once more or settle down to imposing "political adjustments" on those who are committed to "too-fast growth," as David Rockefeller put it in a *La Stampa* interview Dec. 10. It is certain that an attempted bailout of the creditors by sheer money-printing would wipe out more than it would save through inflation and higher interest rates; it is certain that an open drive for "political adjustments" would accelerate the debt bomb's delivery.

The political equation is very dangerous for the Shultzes and Volckers. The "great projects" Ronald Reagan acclaimed on his trip to Brazil can be launched, if the U.S. population chooses to devote the still-vast capacity of America to launching them.

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