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Executive Intelligence Review

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EIR

From the Managing Editor

Under the impressive rubric of “a new Bretton Woods,” a lot of claptrap has been put into circulation. Our Special Report this week, prepared by *EIR* banking specialist Kathy Burdman, provides a map of all the proposals on the table, and their origins in Lord Harold Lever’s “International Bank” formula.

There is no question at this point about the bankruptcy of the present world credit system or the need for “debt restructuring.” Over the centuries, there have been two essential methods of dealing with insolvencies: forcing austerity on the debtors, or enabling the debtors to create expanded wealth. The Lever plan and its chief heir, the Rohatyn plan, would do the former, with an apparatus of “stretch-outs” and even “moratoria” of the kind that were granted the Nazi regime while they applied the ultimate austerity plan. The system could only be propped up economically by looting and war. A global “Emergency Financial Board” would find itself presiding over, not a tidy economic rationalization process, but a world of utter chaos accelerated by its own “conditionalities.”

In our International and National sections this week, we provide intelligence on the Middle East flashpoints and the U.S.-Soviet strategic situation. Next week, we will reprint the startling message delivered by the Chief of Staff of the Soviet armed forces, Marshal Nikolai Ogarkov, on the 38th anniversary of V-E Day. Ogarkov announces point-blank that war between the superpowers is inevitable, that it could be imminent, and that the Soviets are determined to use the most advanced possible weaponry in that event. The message was accompanied by acknowledgements from Moscow that—unlike the Kissinger-Harriman faction in the United States—they view arms-control negotiations as a sham.

Future Special Reports will explore the implications of Israel’s Lavie jet project, and the dimensions of America’s World War II economic buildup, a buildup which in the 1980s can and must be surpassed by a new U.S. advanced beam weapons defense mobilization.

Susan Johnson

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New debt crisis prompts push for restructuring

by C. L. Magister

As the Williamsburg summit meeting of seven Western heads of government approaches, the Latin American debt crisis has reverberated throughout the illusion-ridden little world of "IMF refinancing packages," "stretch-out proposals," and "bridge loan" maneuvers. The most dramatic signs were 1) Brazil's inability to meet its debt payments, and 2) French President François Mitterrand's May 9 warning to the Organization for Economic Cooperation and Development (OECD) that action is needed to avert a global financial catastrophe.

Brazil, within months of its elaborate deal with the International Monetary Fund (IMF) for debt rollover loans in exchange for intensified austerity measures, is today \$2 billion in arrears. Its central bank chief, Carlos Langoni, has officially confirmed that he will lead a mission to the IMF headquarters in Washington, D.C. on May 16 to announce that his government cannot carry out the terms of the February agreement, and Brazil must receive its quarterly credit of \$411 million under renegotiated terms. Brazil has been lying its head off (as *EIR* founder Lyndon H. LaRouche, Jr. recommended to certain debtors) about its compliance with the IMF's terms, while preparing longer-term moves, and now appears to be ready to flex its debt muscle.

The authoritative Rio de Janeiro daily *O Globo*, citing government sources, on May 5 spelled out Figueiredo's "or else," describing the options as "a renegotiation of the agreement signed with the IMF, preparation of a new agreement, or simply breaking all commitments to the IMF." Rumors have mounted in international banking circles that Brazil may declare a "mini-moratorium" of 60 to 90 days which would tend to stretch itself out much further, or that it may even simply default. The fundamental fact is that the world's larg-

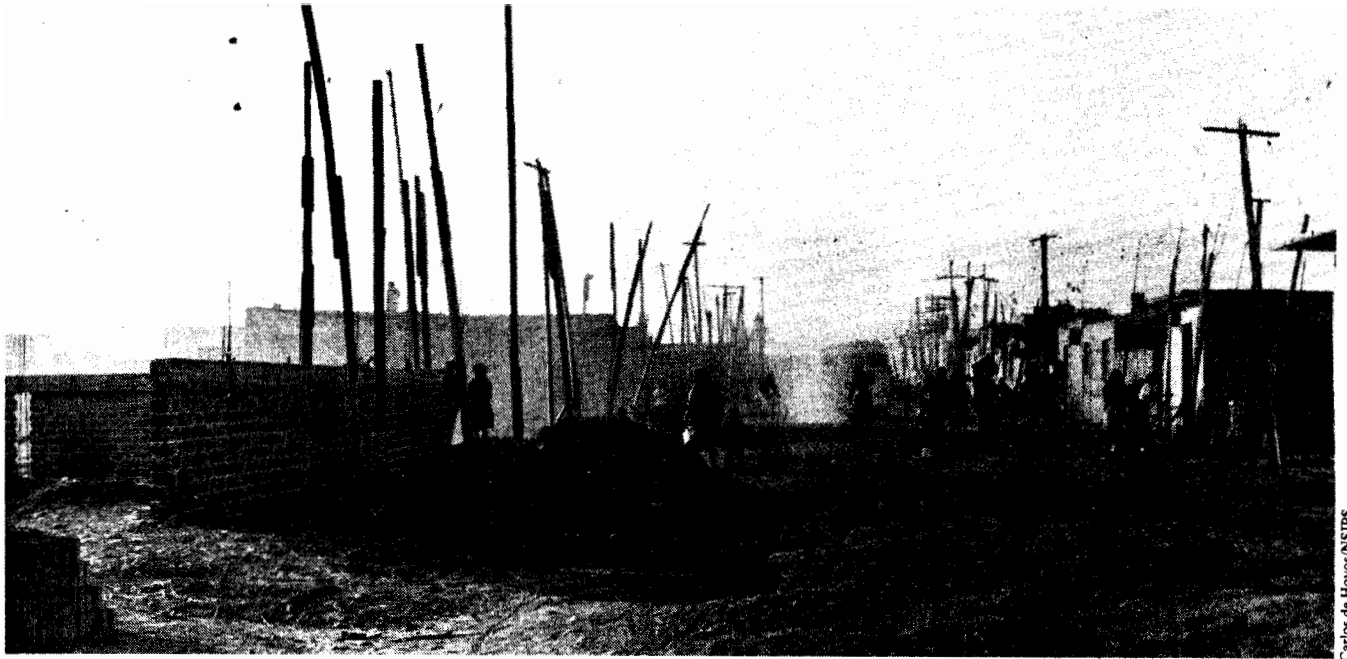
est single debtor (\$90 billion total) cannot pay. Either the IMF accepts that fact, and loses its "teeth," or Brazil may well abandon its games within the IMF framework and join in forming a debtors' cartel.

The London *Financial Times* on May 11 warned of the imminent likelihood of a Brazilian moratorium on its nearly \$90 billion in foreign debt. When Langoni goes to Washington to meet the IMF and Donald Regan, the U.S. Treasury Secretary "will get a print-out" on the disaster of IMF austerity in Brazil and Brazil's debt "almost as alarming" as last November when Brazilian debt nearly blew out the international financial system, says the *FT*. It notes recent statement by the American Chamber of Commerce in Brazil which says that a moratorium "on all debt is an increasing possibility . . . there is a growing perception that the foreign debt problem may be unsolvable by present approaches and mechanisms."

"I'm not sure Brazil will do it on its own. I think it is more realistic if Brazil, Mexico, and perhaps Venezuela get together and declare a debt moratorium," Prof. John Lynch, director of the Institute for Latin American Studies of London University, said May 11. Lynch, who headed the political panel of the Ditchley Foundation Latin American policymaking discussion in early March, reported that "this is the comment here in London. We thought Figueiredo and de la Madrid were going to come out with a debtors' OPEC when they met. There is a lot of pessimism among bankers. They are starting to feel blackmailed by the debtors."

The Mitterrand speech

It was under these circumstances of a new overt debt crisis



Carlos de Hoyos/NSIPS

Will world monetary institutions be directed toward disenfranchising the Latin American debtors, or enabling them to advance? Above, a slum in Mexico City.

that French President Mitterrand, speaking in Paris before world finance ministers on May 9 at the OECD meeting, announced that the world monetary system is bankrupt, and the world economy “at the mercy of a panic or a mass default” on unpayable debt. He announced that the so-called “recovery” will “run out of steam soon” and collapse.

Mitterrand called for a “new Bretton Woods . . . international monetary conference at the highest level” to reorganize the monetary system, as was done in 1944 in Bretton Woods, New Hampshire.

Coming on the eve of the seven-nation Williamsburg economic summit, Mitterrand’s citation of the threat of the financial collapse of \$700 billion in Third World debt will intensify discussion by world leaders on the urgent need for international monetary reform.

Mitterrand’s proposed solutions to the crisis were ambiguous. Who will run the world reorganization, and to what end, remains to be fought out.

On the one hand, Mitterrand’s speech was hailed by austerity advocates in the United States because he called for the new Bretton Woods conference to be “within the framework of the International Monetary Fund.” On the other hand, Mitterrand’s call for increased development finance and reduction in Third World debt reflects the view of French nationalists, as well as the Indian, Japanese, Brazilian, and Mexican governments, all committed to creating a new system outside the IMF to scrap the debt and push development.

The elements of Mitterrand’s call are:

- A new international conference on the heads of state level “within the framework of the IMF;”

- A new system to fix nations’ exchange rates, lacking since the dollar was separated from gold in 1971, in which the “dollar, yen, and the European currencies could reinforce their links, and stabilize international exchange rates;”

- “a strengthening of the role of the IMF, to promote usage of the SDR in official reserves;”

- the “relaunching” of the Third World’s own economies, to “lighten their debt burden” by “serious and durable means to finance their debt and promote their growth;”

- long-term credit at lower interest rates to finance “important projects” over long periods;

- “an emergency plan for Africa”—Because of its lack of credit, Africa could become the “lost continent for development.”

‘Operation Juárez’

“The response to Mitterrand’s speech resembles the parable of the blind men and the elephant,” commented *EIR* founder Lyndon H. LaRouche, Jr., referring to those unfortunates’ wholly divergent descriptions of the beast after each of them had patted one limb of it with their hands. “Mitterrand has identified the problem, but not clarified the solutions.”

Debtors must exchange their unpayable, short-term, high-interest debt paper with the banks for an equivalent amount of 20-30 year long-term bonds at 2-4 percent interest rates, LaRouche insisted, reiterating his “Operation Juárez” proposal. To force this agreement, the Third World must pool its debt in a “debtors’ cartel” and use this “debt bomb” to bring the North to its senses.

Second, LaRouche insisted there be massive *new credit* issuance to assure industrialization of the Third World. He

Brazil, world's biggest debtor, is not paying

The Brazilian government had already signaled its contingency plans for breaking the rules of the IMF game during the summit on April 26-29 between Brazilian President João Figueiredo and Mexican President Miguel de la Madrid in Cancún, Mexico, which resulted in a commitment to begin integrating the two economies through barter trade, which is frowned upon by the IMF. The agreement that Brazil will supply Mexico with vitally needed foodstuffs in exchange for Mexican oil sidesteps the need for dollar credits currently obtainable only with IMF approval; the level of two-way trade is expected to quickly expand by ten-fold. The summit statements described Brazil and Mexico as setting the pace for all of Latin America. (See *EIR*, May 10 and May 17.) Now Mexico and Argentina are actively considering important bilateral barter deals on the Cancún model.

Unable to meet debt payments, Brazil has simply stopped them during the past month; private banks cut back their former level of short-term financing, and Brazil fell further into arrears. California's Wells Fargo, for example, is still waiting to see the \$152 million in short-term debt due it on April 11.

Planning Minister Antonio Delfim Netto has played the fox within the IMF cage, performing remarkable contortions to try to live up to the letter of the "conditionalities." Netto's subordinates continue to tell the world that Brazil is achieving a \$6 billion trade surplus, and therefore no debt renegotiation is required. Delfim's statistical wizardry (upon which *EIR* has reported for many months) now prescribes, for example, counting as exports unsold coffee moved to warehouses outside Brazil's borders, while oil that has been shipped from abroad is not tallied as an import until it is consumed.

The West German business daily *Handelsblatt* chose to alert banks and businesses in a droll fashion, confining

itself to pointing out that the (on paper) \$1.45 billion trade surplus of Brazil in the first-quarter of 1983 was the result of cutting imports by 20.9 percent, and that a large group of skeptics charge that the \$606 million surplus in April is only possible if all Brazil's unpaid oil bills are ignored.

On April 12, Langoni said "no" when asked whether Brazil was really \$1 billion in arrears. On April 19, one of his subordinates told foreign bankers that Brazil's arrears totaled \$999 million.

As of May 9, Brazilian and U.S. banking sources in New York estimated the arrears at no less than \$1.7 to \$2.5 billion.

New financing needs above and beyond the early-1983 "jumbo" packages are \$3-\$4 billion, according to the best estimates. The government had imposed austerity dutifully enough to cause riots. Yet it is unwilling and unable to meet all the "conditionalities" for slashing the budget and the money supply, Milton Friedman-style, which would require shutting down the economy altogether.

What seems to bother the IMF the most is Brazil's internal debt: the IMF had set a limit of about \$5.5 billion growth in domestic debt for the entire year, but the rate of growth is now already four times that high—largely as a result of the 23 percent "maxi"-devaluation of the cruzeiro.

Officially opening the electoral race to choose his successor, Figueiredo declared on May 5 that the nation's next president must "have great sensitivity to the real basis of the progress of the individual, namely, education, and employment. The Brazilian population has grown a great deal . . . and rightly wants its expectations attended to during the next period of government."

The political scene is shaped by those industrialists who won a victory at the Brazil-Mexico summit with the barter arrangements. The head of the Brazilian state oil company, Shigeaki Ueki, said in an interview with *EIR* published May 17 that of course Brazil must make every exertion to live up to the IMF's demands—but after that, Brazil may have no other recourse than collective debt renegotiation. The annual conference of the Construction Industry Chamber of Commerce issued a manifesto on May 4 calling for "the immediate and nondeferrable renegotiation of the foreign debt."

The organization's president, a close friend of Figueiredo's who had been in the Brazilian delegation to the summit, affirmed that "It is unacceptable that Brazil's immense physical resource potential, which could bring the country back to economic and social growth, be ruined by recessive policies, which by idling resources—including the noblest ones, human resources—cause massive waste of wealth, of progress, of opportunity, and of the national heritage."

proposed that nations establish a new international institution, a *gold-backed international rediscount facility* at which the bonds could be re-discounted, to generate several hundred billion dollars annually in export credit.

The British Commonwealth has been trying to organize an opposite Malthusian world system: the IMF would take nations' "sovereign" control over all credit away and impose world credit controls.

"New Bretton Woods" has been the "code word" for the British plan. British agents of the Socialist International, liberal Democrats close to banker Felix Rohatyn, and former World Bank president Robert Strange McNamara, immediately claimed credit for Mitterrand's speech. "It's just what we've been calling for," an aide to McNamara said.

The British Commonwealth plan, being promoted in the U.S. Congress by Felix Rohatyn, would establish a "new international institution" or "world central bank," "parallel" to the IMF, to restructure a large portion of short-term Third World debt. The new institution would then ration credit to the Third World, in tandem with the IMF. Austerity would also be dictated to the United States and other depression-ridden industrialized nations.

One British source in Robert McNamara's office claimed that the faction of "zero growth" Socialists in the French presidential office put the Mitterrand plan together with U.S. Secretary of State George Shultz, who was in Paris just before the speech. "They've been talking together for several months," he said.

The British hope they can convince the Brazilians, Mexicans, and other major debtors to negotiate with London and Paris instead of wielding the "debt bomb," he said.

'Great projects'

Some French policy makers, however, have a different idea of what Mitterrand's approach could mean. They are collaborating with Indian Prime Minister Indira Gandhi—who this month hailed Mitterrand's efforts at world monetary reform—in order to set up a monetary system outside IMF austerity policies. Specifically, they want a system which can finance large industrial development projects in the Third World to end the world depression. Brazil is a foremost example of an agro-industrial giant which could repay its obligations many times over were it provided sufficient credit to gear up the development projects crushed by the IMF.

Mitterrand's idea, a French official asserted to *EIR*, is to create "new organisms" with participation of key Third World debtor nations, outside of the IMF, which "is not a very good institution to do those things." This representative discounted Mitterrand's remark that his action was "in the framework of the IMF."

The pursuit of a new system outside the IMF was endorsed by the summit of the 101 Non-Aligned nations under Indian Prime Minister Indira Gandhi's chairmanship last March. The French official stated that Brazil and Mexico as

well as India are working together with Mitterrand.

Also collaborating with Mitterrand are those in Japan who promote the "Global Infrastructure Fund," a plan developed by Mitsubishi Research Institute for a \$200 billion fund to build "great projects" from India to Panama. "I would say that there is total agreement and coordination between Japan and France on the question of industrial transfers into the developing sector," the official said.

The Swiss, the British, and the summit

The Swiss and British banking factions, who often have their differences but who have joined in getting the Third World into its present debt disaster and who agree that no substantial new credit for industrial development should be issued, are readying themselves for the next stage of the debt crisis. At this point, it seems likely that the Williamsburg summit meeting on May 27-29 will produce either an overt blowup or a meaningless patchover of differences between the participants, but no constructive action.

At a secret meeting held the last week of April under the auspices of Jacques Freymond, Chairman of the Geneva Institut des Hautes Etudes, and organized through the office of Bank for International Settlements President Fritz Leutwiler, debt strategy was the focus of discussion. In attendance were the leading Swiss banks and trading companies; Rimmer de Vries of Morgan Guaranty, the inspirer of the "Ditchley Group" would-be creditors' cartel; various International Monetary Fund and Bank for International Settlements officials; and a small group of Mexicans, including Club of Rome member Victor Urquidi of the Colegio de Mexico.

Morgan's Rimmer de Vries, the principal adviser on international banking matters to George Shultz and the ghost-writer of *Time* magazine's January "Debt Bomb" cover story, offered a preview of a new Morgan study reversing the conclusions of the standard Morgan reading. De Vries said that new data show that no foreseeable recovery of the OECD nations would take care of the debt problem. To avoid a crisis, the commercial and official lenders must each increase their annual lending exposure by 9 to 10 percent.

The Morgan bank chief economist turned to a senior official of the Swiss Bank Corporation seated to his right and asked, "Does your bank intend to do this?" "Absolutely not," was the reply.

The Swiss bankers in attendance said that they expected Brazil to default in the very near future, and that they were cutting back their own exposure to banks who had significant Third World exposure (the Swiss have none), and were building up large reserves against loan losses. The American banks, who were doing the opposite, would face severe trouble; the Federal Reserve and ultimately the American taxpayer would have to bear the burden.

A senior spokesman for the German Bundesbank said May 11, "If commercial banks want to go the Rohatyn way on their own, let them. . . . We're just pulling in our horns

and protecting our own banks. We have a strictly limited role in international institutions and we do not intend to be pushed beyond that. Latin America is far away." The Bundesbank is factionally allied with the Swiss and Dutch central bank "hardliners" committed to letting the financial system go down if they will be able to seize the hard-commodity assets of debtors instead.

The question remains of how the Reagan administration will respond to the Brazilian debt crisis and to the Mitterrand initiative. An aide to St. Germain has offered one hypothesis: "You tell me when Brazil is going to default, and I'll tell you when Ronald Reagan is going to declare a national emergency. U.S. Treasury lawyers and other agencies are already making the necessary contingency emergency plans, just in case. The powers of the Presidency in this kind of a situation are immense. He can do anything."

The Brazilian debt crisis and the response to it testify that the "united front" of the creditors has disintegrated, and the arena is open for initiatives by the "Operation Juárez" faction in the developing sector, and by those policymakers within the Reagan administration who know action is required but detest the "new Bretton Woods" approach.

Documentation

'Three goals: development, stabilization, growth'

In President François Mitterrand's policy statement to the 50 OECD ministers and representatives at the French Elysée palace on May 9, he began by describing the international financial crisis as the result of an uncontrolled mushrooming of liquidity in the 1970s combined with the oil shock, all leading to recession.

He went on: "In the major economies the imbalance of public finances has maintained real interest rates at a much too high level, one unprecedented in thirty years, thus diminishing the capacity for investment . . . and leading to great increases in indebtedness.

"If the large countries understand their duties we shall soon get out of the crisis together. But only under that condition. It will not be done by a miracle. It is the task of a generation.

"I will put forth three orientations: . . . growth, stabilization, development.

"The recovery which is being announced, here and there, will run out of steam very fast, much faster than is generally believed, if nothing supports it."

After a plea for concerted reduction in currency fluctuations, Mitterrand emphasised that the "three principal monetary zones, the dollar, yen, and the European currencies, could reinforce their links, and stabilize international exchange rates. . . . The IMF will see a strengthening of its role, to promote usage of Special Drawing Rights in official reserves. It will be able to intervene in case of sudden and grave difficulty in a given country.

"In the name of facilitating those reforms, I want . . . an international monetary conference to be organized at the highest level in the framework of the IMF.

"I think that trade in [industrial] goods as well as technological cooperation must also be organized. . . .

"Protectionism is an obstacle to the development of poorer countries."

To stabilize trade relations between North and South, Mitterrand proposed as an example that "product by product agreements" should be concluded whenever possible, and that the "Common Fund for raw materials be developed."

Then he spoke in favor of financing investments in non-renewable energy sources for developing countries in the framework of the World Bank.

He emphasized: "Nothing is possible in the North without a relaunching in the South. . . . If the economic and financial situation of developing countries is not unblocked, if those countries do not have the durable, serious means of financing their debt and promoting their growth, then their political stability will be daily more threatened. It is our responsibility to contribute to their development. And in order to do this [we must] set up financing on the basis of their needs. The increase in interest rates and the world recession raise the indebtedness of poor countries. This indebtedness is not just a threat for them, it is tragically dangerous for the world as a whole. Our well understood interest is for us to lighten the debt burden of the South.

"It is necessary for all countries to decrease real interest rates, which are the first cause of the aggravation in the indebtedness of the South."

For the countries of the South aspiring to industrialization, Mitterrand called for international institutions giving guarantees to preferably long-term lending by the private sector. For the poorer countries, Mitterrand called for an increase in SDR facilities. "The assets and role of the World Bank should be increased," said Mitterrand. Then Mitterrand spoke of the necessity of getting away from year-to-year financial lending which prevents the realization of important projects. Finally, "an emergency plan for Africa must be launched." Because of its indebtedness, Africa could become the "lost continent for development"—there must be an exceptional solidarity effort on the part of the Western nations.

"To relaunch, stabilize, develop, that is what will allow us to organize the reconstruction of the international economic order. It is clear that there is not much time. [At Williamsburg] we shall see if we are on the right path . . . else we may choose anarchy and crisis instead of recovery."

'No real recovery without development'

by Richard Katz

Using a tour of the five member states of the Association of Southeast Asian Nations (ASEAN) as a platform, Japanese Prime Minister Yasuhiro Nakasone enunciated a major policy stance which he hopes to bring to the Williamsburg summit of industrial nation leaders: "There will be no peace in the northern countries without stability in the southern countries," Nakasone told a Philippines audience May 7, "and there will be no development in the South without prosperity in the North." The next day, Nakasone's declaration was echoed almost exactly by French President François Mitterrand's statement to the OECD (Organization for Economic Cooperation and Development) meeting in Paris: "Nothing is possible in the North without [economic] relaunching in the South." The similarity is giving added credence to reports of pre-summit French-Japanese coordination.

During the tour of ASEAN (which includes the Philippines, Malaysia, Indonesia, Thailand, and Singapore), Nakasone announced a major new program of transfer of industrial technology to Southeast Asia. His May 9 speech on these matters, given in Malaysia's capital, was promoted in advance by Nakasone's office as a major policy doctrine to be known as the "Kuala Lumpur Declaration." According to Japanese sources, Nakasone had preceded the late May Williamsburg summit with the April 30 to May 9 ASEAN trip because he intends to go to the summit as the representative not only of Japan but also of the developing nations.

Industrial technology transfer

Like many Japanese strategic thinkers, Nakasone believes that the most likely potential cauldron of world war is not in areas of *direct* American-Soviet rivalry but in the developing countries, where growing political instability caused by economic dislocation can lead to superpower conflict. And, like most Japanese economic planners, he believes that the future economic growth of the advanced sector hinges upon the success of developing country industrialization.

Nakasone's solution, elaborated in his Kuala Lumpur Declaration, is North-South cooperation to help the modernization of the developing countries, with the "ASEAN countries as the highest priority area for our [Japan's] assistance

efforts." The Japanese leader pledged increased economic aid, particularly yen loans, to the ASEAN countries amounting to approximately \$1 billion (some of which had been announced earlier). He also proposed a increased transfer of industrial technology, including a program of renovation of existing factories, improved technologies for those factories, and a ministerial-level conference on the transfer of science and technology to the ASEAN countries. To help make sure those factories can earn profits, Nakasone also announced a 50 percent increase in Japan's *industrial product* import quotas for the ASEAN nations under the Generalized System of Preferences (GSP), which provides for special lower tariffs, and so forth, for imports from the developing countries.

The Japanese Prime Minister said his program was a response to a global recession which, he said, "is far longer and worse than any of us expected." The recession, he stressed, "has been a major blow to the economies of the industrialized countries . . . [and] it has severely disrupted the developing countries' economies, as seen in the mounting debt obligations and stagnating commodity markets. . . . I firmly believe that there can be no prosperity for Japan without prosperity for the ASEAN countries."

Though economic cooperation was the major purpose of the trip, Nakasone also had to make an effort to defuse a growing potential source of Japan-ASEAN tension, the suspicions held by Japan's former colonies regarding Tokyo's military rearmament. Nakasone pledged not to extend to Southeast Asia the famous 1,000-mile defense zone responsibility Japan has agreed to at Washington's urging. Philippines President Ferdinand Marcos had even put a map in front of Nakasone and asked him how far the zone would extend. At least in public, Marcos and other ASEAN leaders professed themselves satisfied with Nakasone's pledges that Japan's defense buildup was purely for self-defense. However, suspicions still linger; in the Kuala Lumpur Declaration, Nakasone left out all reference to the 1,000 mile defense zone during his discussion of Japan's defense policy.

GIF at Williamsburg

According to a columnist for the *Yomiuri Shimbun*, Nakasone also wanted to sound out the ASEAN leaders on his intention to bring up the Global Infrastructure Fund (GIF) proposal of Masaki Nakajima at the Williamsburg summit. The GIF plan would devote \$500 billion over the next 20 years to finance huge infrastructure projects in the developing sector as a means of promoting both Third World industrialization and advanced sector economic recovery.

Asked about the GIF during an early April Diet session, Nakasone said he was impressed by the "very thrilling, gigantic concept" and indicated that he thought it should be discussed at Williamsburg. "To prepare his ground," the April 12 *Yomiuri* reported, "he may consult the ASEAN leaders he is going to visit in early May." As of press time, *EIR* had no information as to whether this was in fact discussed with the ASEAN leaders.

The *Yomiuri* columnist adds that Japanese supporters of the GIF scheme have no illusions about the political difficulties involved, and particularly singles out the Malthusian IMF and Club of Rome as obstacles: "Nakajima also proposes a certain degree of autonomy for the fund and its projects and wants the GIF to be something outside the World Bank or the International Monetary Fund. And those who have studied Nakajima's GIF believe its chances of success within the present international monetary system are extremely dim. Nor, it should also be said, can it work in conditions of forced austerity or deliberately depressed standards of living.

"Many in the West—particularly those of the Club of Rome—believe development of the Third World cannot go far. . . . Some even consider any encouragement to unlimited Third World development dangerous. Masaki Nakajima has to first overcome this hostility within the developed world. He needs a powerful champion. Nakasone alone cannot help him much unless he can enlist the support of President Reagan."

Washington sources report that the aspect of the GIF scheme most attractive to Reagan is the proposal for a second Panama Canal that would both boost world trade and provide economic buffers for the troubled Central American region. It is believed that, at the very least, this subject will come up when Reagan and Nakasone meet privately on the occasion of the summit.

Asian culture and prosperity

A major theme of Nakasone's Kuala Lumpur Declaration not given sufficient attention in the West was Nakasone's emphasis on Asian cultural heritage as the basis of Japan-ASEAN cooperation. Speaking of the rapid rates of growth achieved by many countries in East Asia, Nakasone asked, "What has been the magic behind this remarkable success? . . . I would say that one of the keys is to be found in the spiritual and cultural heritage common to this East Asian region. . . . This heritage is, for example, embodied in our lifestyle of valuing harmony over differences, cooperation over confrontation, and humility over assertion. This East Asian heritage is extremely important to our modern society with its tendency toward division and conflict, and its importance cannot be overemphasized."

This emphasis on "Asian culture" is growing in Japan, as reflected in Nakasone's many speeches on renewing Japan's cultural traditions as the foundation for continued national welfare (see *EIR*, Feb. 9). This sentiment is in part a nationalistic reaction to the trade frictions with the United States and Europe in recent years—an experience that evokes recollections of the 1930s Depression. But that is only part of the reason. Nakasone's tour was designed to help promote global cooperation in order to spur world economic recovery; however, there is a growing view in Tokyo that, if depression cannot be prevented and the "West" does decline, then the nations of Asia have the basis to cooperate among themselves and survive.

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State's spokesman at Williamsburg summit

by Richard Cohen

W. Allen Wallis, undersecretary of state for economic affairs, is playing a central role in preparing the U.S. position for the upcoming Williamsburg summit and is said to be pushing for U.S. adoption of the Shultz-Rohatyn plan to "restructure" the world monetary system top down—establishing an International Monetary Fund-Bank for International Settlements dictatorship over world credit flows. This is ironic—and says a great deal about the restructuring scheme—inasmuch as Wallis has, through out his career, been an outspoken opponent of strong central government promotion of economic development, as in the dirigist mobilization of the U.S. economy in World War II to fight fascism.

A graduate of the University of Minnesota, Wallis started off his career as a promoter of statistical techniques, presenting a paper on the statistical distribution of the Nordic racial stock to an American Museum of Natural History conference on eugenics in 1932.

Between 1932 and 1935, while doing graduate work at the University of Chicago, Wallis began his life-long collaboration with fellow graduate student Milton Friedman. Wallis recalled later how he and Friedman, along with fellow student Homer Jones and Profs. Henry Simons, Lloyd Mints, and Frank Knight, began at that point to outline a "free enterprise" alternative to President Roosevelt's "welfare state." After further studies at Columbia University, serving as consultant to the National Resources Committee (1935-37) and teaching at Yale (1937-38), Wallis taught at Stanford University from 1938 to 1946.

Wallis, Friedman, and Shultz

There he rose from assistant to associate professor of economics and co-authored a book, *Studies in Mathematical Economics and Econometrics*, with Friedman. During this period Wallis helped to found the Swiss-based Mont Pelerin Society, which has remained the leading center for free enterprise ideology down to the present, and became its first treasurer. He also became a research associate at the National Bureau of Economic Research (1939-40) and served as pres-

ident of the Office of Scientific Research and Development at Columbia University during the war (1942-46).

After World War II, Wallis moved back to the University of Chicago (1946-62), where he became chairman of the Department of Statistics and Economics and dean of the Graduate School of Business. He was succeeded in that position by a close friend, George Shultz. Shultz reportedly holds Wallis in the highest esteem, still relating to him as a senior colleague.

At the University of Chicago, Wallis, Friedman, and Shultz advocated measures that lead to the explosive growth of the offshore, reserve ratio-free Eurodollar market—which became the engine of global inflation in the 1960s and 1970s. Later, in 1971, they supported taking the dollar off gold. In 1959, Wallis became the first monetarist "inflation fighter" of the postwar period, as President Eisenhower's special assistant and the executive chief of the Cabinet Committee on Wage-Price Stability and Economic Growth.

Wallis the Social Engineer

During the war, Wallis, the free-enterprise monetarist, became proficient in the use of "social engineering" techniques at the National Resources Planning Board, the Navy, and the Rand Corporation. Wallis put this expertise to use when in 1953-54, acting as director of the Ford Foundation's program of University Surveys of Behavioral Sciences; he was instrumental in establishing the Center for Advanced Study in the Behavioral Sciences at Palo Alto—the center that has over the years been at the center of the CIA-run experiment in psychedelic drugs, known as MK-Ultra, and the creation of a number of terror-prone cults. From 1962 to 1970, Wallis was president of the University of Rochester, and from 1970 until his appointment as undersecretary of state for economic affairs in the Reagan administration, he was chancellor there. Wallis's government-related posts during that period included membership in the President's Commission on an All Volunteer Armed Force and the National Commission on Productivity. Wallis also joined the board of the Corporation for Public Broadcasting and later served on the Task Force on Education and the Transition Team on the International Communication Agency for then President-elect Reagan.

Wallis has served on the boards of directors of Eastman Kodak, Metropolitan Life Insurance Company, Standard Oil of Ohio, MacMillan Publishing Company, and Bausch and Lomb.

Wallis has promoted the notion that the greatest threat to freedom has been the rise of "neo-mercantilism" in the post-World War II period and has written that "the people even more than their elected officials are unable to grasp the complexities and technicalities, so they become prey to demagogues." Perhaps this is why the free enterpriser now supports a top-down restructuring of the international monetary system, in which the IMF-BIS experts will tell nations how to run their economies.

Max Karl: cashing in on U.S. deregulation

by Renée Stigerson

The Baldwin-United financial services company of Cincinnati, Ohio, which announced cessation of payments on \$900 million in loans to banks last January, is about to go bankrupt, a leading Wall Street insurance analyst reported May 9.

However, Baldwin-United's chief subsidiary, the Mortgage Guaranty Insurance Corporation (MGIC) of Milwaukee, Wisconsin, will be bailed out.

The bailout, which will run into the hundreds of millions of dollars, will be financed by a private club of leading insurance companies, a group of not more than a handful of men who, our source emphasizes, "are the kind of people who, on any normal business day, are accustomed to just pick up the phone and transfer upwards of \$4-\$5 billion in a 24-hour period." This "club" of private insurers is so exclusive that only an institution with substantial political clout could have succeeded in winning their support, as MGIC has done.

MGIC—known as "Magic"—is the creation of Wisconsin's number one political party financier, Max Karl. In 1962, Karl gained brief nationwide notoriety when he was named for having made political payoffs to the Democratic Party chief's senatorial aide, Bobby Baker. Karl is currently an important source of funds for the Zionist lobby. In 1982, Karl told a Milwaukee journalist that he had donated \$7 million to Zionist charities in the form of MGIC shares. He travels frequently to Israel.

As in 1960, Karl's financial "trials" have again become linked to political party shakeups and influence buying for his friends in Israel, this time in preparation for the 1984 elections.

Tax evasion and watergating machinery

The Baldwin-United bankruptcy case is exemplary of the political effects of the "deregulation" of banking, which has been underway in the U.S. financial system since the passage of the 1980 Omnibus Banking Bill. The two congressmen who were chiefly responsible for passing that bill—which has eliminated most of the traditional distinctions between banks, investment companies, and insurance companies, transforming U.S. banking into a cash/assets soup—were Sen. William Proxmire and Rep. Henry Reuss, both of whom, "coincidentally," come from Karl's strongest base of opera-

tions, Wisconsin.

Karl's financial strength is in mortgages. MGIC is a swindle which provides insurance on mortgages not guaranteed by the Federal Housing Administration or the Veterans Administration. Its cash reserves are protected by a special political deal hammered out in 1960 between Karl and then Secretary of the Treasury Douglas Dillon.

Under state insurance law, for every dollar in premiums sold, MGIC must place 50 cents in reserve. By normal procedure, these funds would be taxable. Dillon allowed Karl to "lend" these reserve funds to the Treasury in the form of a 15-year, non-interest paying, tax-free bond. In 1962, Bobby Baker and Wisconsin Republican Congressman John Byrnes, both of whom had lobbied heavily for this deal between Karl and the Treasury, were watergated for having accepted MGIC shares in return for their help.

Last year, Karl was due to redeem \$220 million worth of such Treasury bonds. Upon redemption, the cash would have become taxable. Goldman-Sachs, Karl's investment bank, advised Karl to merge MGIC with a firm with large losses, to be able to dump the cash into a non-taxable sinkhole. Another Goldman-Sachs client, Baldwin-United, a multi-billion-dollar insurance firm dependent on tax writeoffs, fit the specifications called for, and in March 1982 the merger was finalized. Baldwin-United borrowed \$900 million to buy MGIC for a total of \$1.2 billion.

Some time later in 1982, it was discovered that Baldwin-United did not really have the funds required to repay the loans. The explanation around Wall Street of the rapid failure of the merger is that Morley Thompson, Baldwin's chairman, and an executive reputed to be America's foremost expert on tax evasion, had "shot his wad" by picking up MGIC only one year after a big time merger with the owner of S&H Green Stamps.

Plausible as that account may be, the events surrounding the Baldwin crisis indicate that Max Karl is up to his old tricks, using his financial clout to batter political opponents and to shape presidential election politics. Although the full details of the Baldwin failure are being deliberately covered up by Washington regulators and state insurance commissioners, evidence exists that Karl used the failure of Baldwin-United to pull the rug out from under an old opponent dating back to the 1980 presidential elections, namely the southern-based Democratic Party machine of Bert Lance.

The evidence comes in part from the fact that Baldwin-United's straits were only made public *after* federal banking authorities had shut down Lance's chief source of political funding, the Butcher banking family of Knoxville, Tennessee. According to an informed intelligence source familiar with southern politics, the word to shut down Butcher came from the Middle East and Switzerland, specifically from Lebanese-Genevan financier Edmund Safra, an intimate of Israeli-Arab gun- and drug-running operations.

In January, Safra merged his Genevan bank with Wall Street's second largest investment house, Shearson-Ameri-

can Express. The combined firm is a hotbed of lobbying on behalf of certain Zionist entities. It is interesting that in 1979, when the first rumors emerged that MGIC might be taken over, American Express was mooted as the firm most likely to purchase MGIC. Were Safra involved with Karl at this time, then the aim of the Butcher shutdown would be clear: Israeli controlled political operatives would be striving to strengthen their hand at the expense of the Kuwait-Libya-Saudi networks tied to Bert Lance.

The vexed relations between Karl's Israel lobby and the Lance Democratic Party networks dates back to 1980, when Karl broke with Jimmy Carter and put his support behind Ted Kennedy, because, according to Karl's own words, Carter was willing to throw Israel overboard, for "larger considerations." Carter, he claimed, had "no Israel policy, only an Arab oil policy."

Karl told an interviewer in 1980 that he never expected Kennedy to win, but that his support for Kennedy had broader implications. His own objective, he reported, was to strengthen bilateral politics—bringing in his assets from both parties—first to strengthen Israel's negotiating position, and second, "to come up with a plan to restructure the whole U.S. economy." At that time, Karl commented that one of the people he trusted most as an economic policymaker was his friend Felix Rohatyn, the Lazard Frères banker who has since become the leading international spokesman for a blueprint to cartelize the world banking system under Swiss banking control.

Known financial transactions between MGIC and the Butchers date to mid-1982, when a subsidiary of Baldwin-United began purchasing shares in Butcher's bank. The fact that Butcher's bank was in some kind of financial trouble then became public in November, following the Knoxville World's Fair, which the Butchers had heavily financed, and which had turned into a financial disaster. According to reports, part of the funds for holding the World's Fair in Knoxville had been put up by a prominent Arab bank.

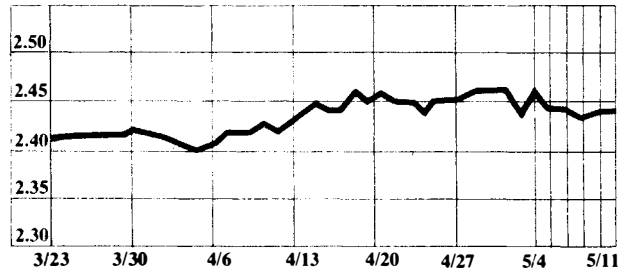
In late December, a mutual stock trading/debenture financing deal was worked out by Jake Butcher and Morley Thompson. In January, as the deal was being wrapped up, *Fortune* magazine put out the first word that Thompson was in trouble. Five weeks later, the Federal Deposit Insurance Corporation sent regulators in to shut Butcher's bank down in a 24-hour emergency operation which resulted in a sell-off. Within hours, press reports began circulating all over the country that the Butchers were the chief financiers of the Democratic Party throughout the South and were hideously corrupt.

Meanwhile, in Kentucky (where many officials have borrowed campaign funds from the Butchers), there is a state cabinet official sitting on a dossier of "sensitive information" pertaining to the Butcher case. The official, who has been relieved of all other responsibilities except to pursue this information, is an operative of the Zionist faction, with high-level political connections in New York.

Currency Rates

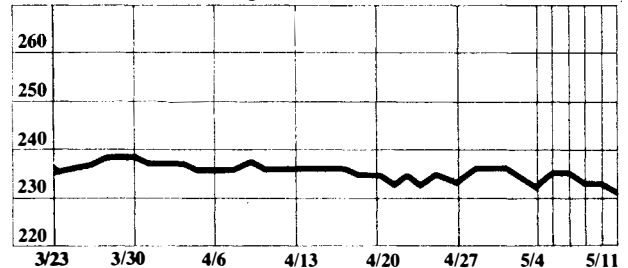
The dollar in deutschemarks

New York late afternoon fixing



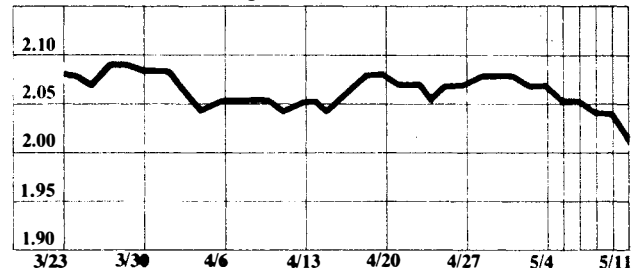
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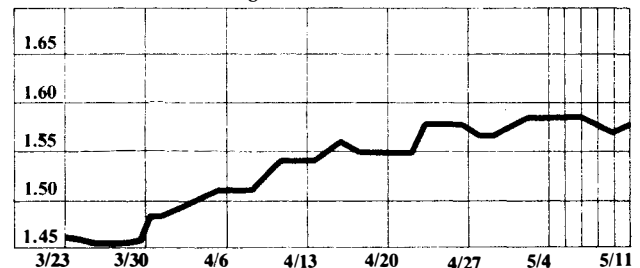
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Lasers will optimize control of chemical processes in industry

by Delia Arajo de Lozano

Lasers will soon become a powerful tool for the chemical industry. Laser chemistry is the science of selective initiation and control of chemical reactions. Nothing mysterious is involved. Chemical reactions respond to different kind of stimuli, including temperature, pressure, concentration of the reactants, electronic excitation, as well as the use of some catalysts which speed up the reaction. The handling of these stimuli by the chemist provides the means to influence the progress of the chemical reaction. Through the use of lasers, chemists can influence these parameters much more accurately than ever before and in some cases in a revolutionary way. Thus they will achieve better control over chemical processes in industry.

Many laser applications on chemical reactions are being tested at the laboratory or pilot plant level by both governmental and private company scientists. These applications will be available at industrial scale before the turn of this decade, provided that they prove to be economically feasible.

There is no question that lasers can be used as a useful tool in biological as well as in medical research. Brookhaven National Laboratory's scientists have been using lasers as tools to understand many basic biological processes such as photosynthesis, and analogous work is being done in many other research laboratories.

In terms of the industrial level applications, the most obvious and immediate ones are reaction diagnosis, chemical analysis, and process control. That is to say, the use of lasers as sensors (using laser spectroscopy), in order to determine what chemical and physical parameters should be changed in industrial processes so that the ongoing chemical reaction be placed in optimal conditions. For instance, Exxon Research and Engineering Co.'s scientists, located at Linden, New Jersey, are working on a very accurate laser-based thermometer for controlling industrial pyrolysis (specifically cracking) processes which require a very high temperature at which most other thermometers are ordinarily not able to function. The very fact that temperature can be controlled means that cracking yield can be increased by a factor of two or three.

We will not discuss here in detail these immediate process control applications, which are now generally acknowledged. Rather, we will discuss laser-induced chemistry, i.e., the use of tuned lasers to selectively couple energy into a chemical process. Depending upon the nature of the excitation, the specific reaction conditions, and the nature of the process being triggered, a broad diversity of chemical reactions may follow laser activation.

Laser techniques can accomplish the following:

- Laser techniques can selectively separate isotopes much more efficiently than currently used separation techniques, lowering cost while saving energy. Laser isotope separation could cheapen by many millions of dollars the process of enriching crude uranium to produce the fissionable isotope U235, assuring an inexpensive supply of fuel for nuclear fission plants. The current uranium enrichment process, gaseous diffusion, costs \$87 per separative work unit (SWU), not taking into account the capital cost of the plant. The Advance Vapor Laser Isotope Separation costs approximately \$21 per SWU, and will be even cheaper when laser equipment is produced industrially. Lawrence Livermore National Laboratory is working on this technology using visible lasers.

The process could also be used to isolate hazardous radioactive isotopes from nuclear waste, for example rare earth metal isotopes, making the useful radioisotopes available, and reducing vastly the amount of disposed waste. This range of newly available isotopes could supply useful new chemicals for basic research in biology and medicine. AVCO Everett Research Laboratory, located in Everett, Massachusetts, is developing laser-induced photo-ionization of atoms of one isotope followed by electrostatic collection. The vice president of that laboratory's isotope research told *Chemical and Engineering News* in 1982 that the cost of building a pilot plant for that process would be \$2 million.

- Lasers can selectively purify expensive materials such as rare earth metals. Having these rare metals available could make possible the creation of new materials and metal alloys

that would be impenetrable to fast neutrons produced in the fission and fusion reaction, allowing development of more advanced energy-dense reactor design. For instance, a steel company located in Pittsburgh is producing Europium, a very scarce (and therefore very expensive) rare earth metal, using ultraviolet laser photochemistry. They are making, at the experimental level, new alloys of steel-Europium (0.5 percent to 2 percent Europium), which have proven to be stronger than ordinary steel. Dr. G. Mittal at the Bhabha Research Institute in India is also working on this technique.

- Novel materials can be produced by laser. The principle used here is to activate specific species in a mixture. For instance, CO₂ laser-induced production of refractory solid particles such as: silicon (Si), from gas phase silane (SiH₄); silicon nitride (Si₃N₄), from silane and ammonia (SiH₄ + NH₃); and silicon carbide (SiC), from silane and ethene (SiH₄ + C₂H₄). These refractory solid particles are formed as polycrystalline or amorphous particles depending on reaction conditions. The particle size distribution is relatively narrow, which should allow the particles to be more effectively agglutinated, leading to ceramics with superior properties, which could then be used in new industrial processes.

- Laser-initiated chain products such as polymers, plastics, rubbers, etc. could be more cheaply produced. Many conventional synthetic reactions involve free radical chain-reactions that, once initiated, propagate readily, producing many product molecules per single radical initially formed. Radical reaction usually requires much more energy to initiate than to propagate; in fact, in a thermal process, the tem-

perature which is high enough to initiate the reaction is generally much higher than what is required to assure the production of sufficient free radicals. Laser initiation of the chain reaction produces the desired free radical by means of selective excitation of the desired radical through the laser's high energy density. It provides a means by which the operating temperature can be lowered to that required for propagation, improving thermal stability and helping eliminate undesirable side chain-reactions. Thus, lasers could cheapen industrial processes not just by lowering temperature requirements, but also by avoiding purification steps. This very reduction of power cost and of production time is very attractive in itself.

- Production of catalytically active species by laser in the reacting medium itself could double, triple, or quintuple the efficiency of the chemical process. A number of experiments have been done on the production of organo-metallic complexes with high reactivity because of vacant binding sites around the metal atom. These active sites produce considerable catalytic activity. For example, iron pentacarbonyl (FeCO₅) in solution has been converted by ultraviolet lasers into iron tricarbonyl (FeCO₃), which subsequently induces reactions such as olefin isomerization, hydrogenation, and hydrolyzation.

At present, there are no examples of the use of lasers to produce catalysts in industrial processes; however, it is clear that lasers can use to cleanly produce high concentration of catalytic species *in situ* at desirable points in a real reactor on an almost arbitrarily short timescale and that the subsequent

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Boston	May 25	Seattle.....	June 15
Chicago	May 28	New Orleans.....	June 16
Montreal	May 31	San Francisco	June 16
Anaheim, California	June 2	Los Angeles.....	June 17
Birmingham, Alabama	June 4	New York City	June 18
Buffalo	June 11	Cleveland	June 21
Houston.....	June 11	Pittsburgh.....	June 22
Philadelphia	June 11	Washington.....	June 30

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reactions of the catalyst may be produced with electronic equipment, thus automating the whole process.

- Laser techniques used for pyrolysis could provide in the near future homogenous processes, in which a single product could be produced, eliminating expensive purification steps. Pyrolysis has been used to obtain valuable organic products such as aniline, phenol, and light hydrocarbons from cracked pyrolysis. Scientists in SRI International's chemical kinetics department have been worked with infrared lasers to produce nitro-benzene pyrolysis by means of laser-powered homogenous pyrolysis (LPHP), which has proven to be successful on a number of low-molecular-weight model substrates. LPHP utilizes an unreactive bath gas (in this case N_2) to absorb the infrared radiation and to transfer this energy by collision to substrate molecules, since if pressure is high enough, thermal distribution of energy take place faster than the chemical reaction. Their results show that laser pyrolysis is almost purely homogenous, in contrast to conventional (hot-wall) pyrolysis, which leads to compounds generated heterogeneously and thus to impurities. Moreover, laser homogeneous pyrolysis overcomes three crucial problems of the currently used pyrolysis: 1) the laser technique eliminates hot wall problems because of homogenous heating; 2) the maximum temperature achieved by the laser technique is more than twice that achieved by the current process (2000 versus 900 degrees Celsius); and 3) the heating rate is 10 billion degrees Celsius per second using laser pyrolysis, compared with 100 degrees Celsius per second from the current process.

- Lasers would make possible massive production of vitamins, proteins, and antibiotics, among other biochemical products. In biochemical synthesis, the critical point is the selective excitation of the reacting molecule. In the case of Vitamin D production, the production itself is through the photo-induced change in the ergosterol molecule (Vitamin D precursor), at present produced by arc lamps, with a yield of approximately 35 per cent. The use of ultraviolet lasers will improve the yield to 80 per cent. Several private companies are working on these process at a pilot plant level, for example, Dow Chemical and the Batelle Columbus Laboratory.

The advantages of laser technology in this field are enormous, speeding up production time, decreasing operational cost, increasing the level of production, and reducing the equipment necessary for production.

- Modification of surfaces and production of surface films or coatings by laser-induced chemistry are already considered economically feasible processes. Processing is confined to the near-surface region and the bulk material is not disturbed. Thus lasers can be applied to annealing, alloying, and curing processes. For instance, Mobil Chemical company has worked with very good results on the application of electron beam radiation to curable materials, such as resins. Their economical analysis shows that electron beam radiation coating costs from \$1.50 to \$2.50 per pound.

Part II: Malaysia Survey

Crackdown on the drug traffickers

by Paul Zykofsky

Every day the leading newspapers in Malaysia publish a special section highlighted by a drawing of a skull titled "Dadah watch."

Dadah is the name given to dangerous drugs in Malaysia and the *Dadah* watch column is part of the government's campaign to stamp out drugs launched by Prime Minister Mahathir on Feb. 19. As Deputy Prime Minister and Home Minister Datuk Musa Hitam explained to *EIR* in an exclusive interview, Malaysia "considers the drug menace as a security threat." Dangerous drugs, he added, "are killing the young people, which is the biggest potential that the country has in order to develop."

The government campaign involves tougher anti-drug laws, expanded rehabilitation facilities for addicts, and a nation-wide publicity campaign involving all sectors of the society.

A national task force

In the recent period, since Deputy Prime Minister Musa took over the Home Ministry, a nationwide anti-*dadah* task force has been established to centralize and coordinate the fight against drugs. Several members of the task force explained the problem faced by Malaysia to this correspondent. Although no dangerous drugs are grown within the country, Malaysia is a transit point for heroin and opium produced in the nearby Golden Triangle region covering northern Thailand, Burma, Laos, and China. Drugs passing through Malaysia make their way to both Europe and Hong Kong.

Local consumption of drugs first emerged a problem in the late 1960s and early 1970s when American soldiers on leave from Vietnam and hippies from the United States and Europe began visiting Malaysia and creating a local demand for hard drugs.

The situation worsened considerably in 1975-76 when young Malaysians themselves increasingly began to take drugs. At present there are some 79,000 drug addicts who have been caught or who have voluntarily registered with the

government. Members of the anti-*dadah* task force estimate that there may be several times that number of addicts in the country.

To deal with this situation, the government has recently enacted tough new anti-drug laws which will help crack down on the traffickers. First, the Dangerous Drugs Act of 1952 has been amended so as to impose a mandatory death sentence on traffickers, removing the provision for life imprisonment which usually resulted in a prison sentence of 15 years.

In addition, the definition of a trafficker has been changed. Whereas in the past a person would have to be in possession of over 100 grams of heroin or morphine—enough to prepare 200,000 shots of heroin—the amended law has lowered this amount to 15 grams. In the case of raw opium, the amount was lowered from five kilograms to one kilogram; while the present specified weight of one kilogram for refined opium and 200 grams for cannabis or cannabis resin remain unchanged. The amended law also gives law enforcement officers the power to intercept letters and telephone lines with the permission of a public prosecutor, and evidence gathered in this way is admissible in court.

With this new law—one of the roughest in the world—drug enforcement officers are confident that they will be able to catch some of the big drug runners operating through Malaysia.

Financial tracking

Significantly, provisions also exist in Malaysian law to examine bank accounts and inquire as to a person's source of income, which will allow the government to go after some of the "Mr. Bigs" who control the traffic but do not touch the drugs directly. Deputy Prime Minister Musa indicted that there exists clear evidence of links between trafficking and high finance, although the problem is that "those people are outside the country and beyond our reach."

The second law passed recently, the Drug Dependents and Rehabilitation Bill, gives detailed guidelines for treatment and rehabilitation of addicts under court order as well for those who volunteer.

The third part of the campaign is aimed at "a total involvement of the people as well as the government at all levels," according to Musa. Meetings with voluntary organizations, political parties, trade unions, employers organizations, and religious organizations are being planned by the Home Ministry to create a national public awareness about the problem and the dangers of *dadah*.

However, while Malaysia intends to do everything possible to stamp out drugs, members of the anti-*dadah* task force emphasized that this is a war which must be waged on an international level and urged the United States and Europe to enact tougher laws. "We will try to keep our house as clean as we can," one officer noted, "but we can't fight this on our own, we need an international commitment."

Interview: Deputy Prime Minister

'Drug pushers are a security threat'

The names of Prime Minister Mahathir Mohamad and Deputy Prime Minister Datuk Musa Hitam have been linked together since 1969 when Mahathir was expelled from the ruling UMNO party and Musa was dismissed from his post as Assistant Minister to then-Prime Minister Tunku Abdul Rahman. In that year of mob violence and race riots in Kuala Lumpur, Mahathir and Musa were branded as "extreme right-wingers" because they favored measures to improve the conditions of the native Malays—thus upsetting the delicate balance between Chinese and Malay communities.

Within a few short years, however, many of the proposals to correct economic imbalances and inequalities made by Mahathir and Musa were incorporated into the government of the new Prime Minister Tun Abdul Razak, and the "two Ms," as they have come to be known, returned to active politics. Musa rose up the government and party ladder quickly to become Minister of Primary Industries in 1974 and then successor to Mahathir as Education Minister in 1978. His political skills were put to the test in June 1981 when he defeated Finance Minister Tunku Razaleigh Hamzah, a member of a princely family with business ties to the Chinese community, in a party election for Deputy President, a post which carries with it the deputy premiership. In the following exclusive interview given to *EIR's* correspondent Paul Zykofsky in Kuala Lumpur on April 14, Datuk Musa discusses some of the problems Malaysia is facing today, with special focus on the anti-drug campaign launched by the government when he took over the Home Ministry in July 1981.

Q: First of all, what is your evaluation of the progress Malaysia has made since independence and the problems it faces today?

Musa: To give independence any meaning to the people of

the country, we must work hard. As a result of working very hard, I think we have achieved comparatively considerable success. Now, success also means higher expectations, and the higher the rate of success, the more it is felt whenever there is any small degree of failure. I think I can quite proudly say that we have been successful. But we face a real problem in the sense that we have been successful, more so because there are ever-present threats to the stability of our country.

First, of course, is the threat posed by communist elements. This is a problem we have been faced with ever since before independence. After independence the communist terrorists continued to shoot at us and even today they are still shooting at us.

Secondly, the threat comes from the reality of the multi-racial, multi-religious nature of our country. In our reasonably open system of parliamentary democracy, people talk and talk means touching on the sensitivities of religious and racial beliefs. Under such circumstances any wrong statement, or any mishandling of the situation could cause a lot of problems, as demonstrated by a big incident in our history, what has come to be known as the May 13 [1969] incidents, the only time since independence when we have had racial riots in Kuala Lumpur.

The communist problem we know how to tackle. We have been living with it for a long time, and the basic way of dealing with it is to develop, to fill the stomachs of our people—to put it in an oversimplified way. That is the best bulwark against communism. Racial and religious intolerance, extremism, can easily be matched again, number one, by economic development, and number two, by education, and by exposing the problems of different communities to one another. In other words, by a concept of national unity, to propagate the idea of tolerance through our educational system, as well as through the New Economic Policy (NEP). The NEP is aimed at restructuring society so that a man of a certain racial background will not be identifiable with a certain economic activity. And I think we have been reasonably successful thus far.

One of the biggest problems as a result of the very fast pace of development—which is a third threat which has been unseen all this while—is the problem of cultural shock. By cultural shock I mean that the challenges of modern day life are too great. For example, the village boy is suddenly brought into the town to be given higher education, and instead of a very peaceful, quiet life he then finds himself in a situation where the pace of development is about 10 times faster than what he is used to. He becomes rather confused. That's what I mean by cultural shock. He does not know how to adjust and adapt himself to the very fast pace of development in the towns. So what does he do? He tries to find various forms of escapism. Sometimes he turns to religion—which is good if religion is resorted to as a practice, as a belief, as a form of spiritual well-being; but it would be negative if it is extreme.

But what seems to be increasingly menacing within our

society is that a lot of these young men have been resorting to another form of escapism, and that is drugs. What we call here *dadah*. In our country, as the years go by and since I became Minister of Home Affairs and Deputy Prime Minister, I have become more and more depressed about this problem seeing young men and women beginning to be hooked on drugs.

The interesting thing about the drug problem in Malaysia is that the harmful drugs are not manufactured here, neither are they grown here in our country. All the drugs come in from outside. Malaysia is used as a transit point as well as a distribution point for our local population. Now this is certainly undesirable and we feel that something much more concrete and much more firm and drastic needs to be done. This explains the very drastic law we have just passed in Parliament. For once in my life I was pleased to introduce a law which even the opposition did not criticize. Why? Because they themselves are seeing the problem with their own eyes.

Q: What are the basic elements of this law?

Musa: Well, first of all, it is one of the toughest anti-drug laws in the world, next to Singapore and maybe two or three other countries. We feel that there is every justification for this law, because we consider the drug menace as a security threat, as a problem of an element that kills, that destroys the human mind, that destroys the human being. It's not by the shot of a bullet but by the shot of the needle or by the shot of smoking or the shot of swallowing. And we feel that those people who are involved in the trafficking of drugs, who are not necessarily the peddlers, are the killers and the murderers. And they are killing the young people which is the biggest potential that the country has in order to develop. The young are the ones that we have hope for and Malaysia is a country which has more than 50 percent of its population under 21, so if we want to have any meaningful future for our country we cannot allow our youth to be killed.

So, we say, it will have to be assumed that anyone found trafficking in drugs causes the death of youth of this country and they deserve the death penalty. It is as simple as that. And it is as drastic as that, and we don't apologize for it, because we feel that we want to see our country drug-free in a serious way. Drug traffickers make so much money that they don't care about losing, let's say 15 grams of pure heroin—which can administer up to 3,000 shots. And because of the millions of dollars they make, they don't understand anything else but the drastic law that we have passed. And so that is what the recent anti-drug legislation is all about in Malaysia. I must say this: we take people to court—and our judiciary system, we are proud to say, is known to be independent—and they have to go through due process of law. But once the judge says that he's guilty, death penalty is mandatory.

We have other programs to fight drugs. We will intensify



Malaysian Deputy Prime Minister Datuk Musa Hitam.

counseling through our school system, as well as through our youth club system, as well as through voluntary organizations. Then those who genuinely suffer from it, who have been hooked on drugs, we want to adopt a positive attitude, that is by welcoming them back to society if they volunteer themselves or even if they are caught. And so we have set up a one-stop rehabilitation center agency where anybody who is caught or who volunteers to be rehabilitated, will be treated on the spot by the various agencies.

Q: There also appears to be a widespread anti-drug campaign being carried out through the newspapers and television.

Musa: Yes, the Prime Minister launched an anti-drug campaign about a month or two ago and the Ministry of Home Affairs has taken over administering all matters related to rehabilitation of drug addicts as well as to monitor the problem. In the past, all problems related to drugs were treated by the Ministry of Welfare. I simply feel that the concept of treating all those who are guilty for drug offenses should not be welfare. I know that this may sound horrifying to psychologists in such countries as the United States, but I think, as I said earlier, that I want to regard this as a security problem.

The second step is that we are setting up what we call an operations room at the national level, and then, being a federal system of government, at each state level there will be

an operations room, where every case that is reported to us will be monitored and we will decide what to do with it.

The third step is a total involvement of the people as well as the government at all levels. To this end I am calling a meeting of all voluntary organizations and political parties, including the opposition parties, so that I can explain to them what we are doing and seek their assistance as well as their advice. And also to get them involved in this exercise. I am also getting all the GG departments at every level involved. And then I want to involve the private sector, the trade unions and religious organizations as well. And finally, I want the campaign that has been started to go on and on and on, so that this problem will have to be put on center stage, so that people will be made fully aware of it on a continuous basis.

As for foreigners, we will give sufficient warning before they come to Malaysia. At Malaysian embassies, visa centers, tourist representatives, we are going to say something like this: "The death penalty is mandatory for drug trafficking in Malaysia. Be forewarned." So that if they come here and are caught with drugs they won't send petitions and cry over it. And we are also going to remind the people at train stations, at ports; we have to tell people that we regard this matter as one of the biggest threats that we have ever faced, and that we are determined to stamp it out.

Q: Have you found evidence, as in Europe and other places, of links between drug trafficking, terrorism, and high finance?

Musa: Drug trafficking and high finance, definitely. But then you see, our country is only the importer and we are only able to stop the traffickers from coming here and from distributing it into smaller sub-traffickers, their agents. But even their agents, under the new law, will be considered traffickers. The definition of trafficking is very wide in our newly passed law. Definitely with high finance, but those people are outside the country and they are beyond our reach. But in terms of higher rates of crime, robberies, yes of course. Drug-taking and trafficking are related to higher crime rates. A higher incidence of all sorts of problems that society faces can be attributed to drugs.

The one point I would like to make is that the international community has not really succeeded in doing anything substantive about this. And just like in any other international organization, we talk and talk and talk—and Malaysia does not want to belittle the work of the international anti-narcotics agencies—but we feel that something much more substantive can be done. In the past, we have always said that if we do something ourselves first, and we do it well, then we can at least tell the world how things should be changed. We have always in the past been known to be a country that believes that charity begins at home. We will try to put our house in order first, but we would like to plead for the understanding and cooperation of the international community in ensuring that we succeed, because if we succeed, we can, to a great extent, jointly stamp out this problem.

Sharing the poverty

How the Trudeau government is using a Club of Rome scheme to introduce the post-industrial era.

Hey buddy, you have a choice: either you share your job with someone else or you're out of work." This is what Canadian workers have been told since 1981 when Ottawa first implemented a \$10-million work-sharing program because there were simply not enough full-time jobs to go around.

Now that unemployment is reaching the 2-million mark (16.3 percent) and the economy is completely shattered, the work-sharing experiment has grown into a \$350-million-a-year subsidy scheme involving around 250,000 workers and over 12,000 companies. And this is just the beginning.

All this has nothing to do with humanitarianism. It is a deliberate Club of Rome plan to systematically destroy the values of industrial work and impose a post-industrial order: a zero-growth economy modeled on a "high-tech" feudal village. As a backup, emergency measures, as per the Order in Council of June 1981, are already in place to open up "civilian internment camps."

Work-sharing was first introduced to attract employers and employees into accepting a redistribution of work to avoid layoffs. A worker would accept a voluntary reduction in salary of about 16 percent and a corresponding loss of work hours to keep his co-worker on the job. The government gives the employees unemployment benefits for the work hours lost. The scheme is 1.6 percent more costly than regular unemployment insurance.

A discussion paper prepared by the

Department of Employment and Immigration under the aptly named Minister Lloyd Axworthy, reports that on April 11, 50 percent of the workers on the program were laid off, soon after the government cut off unemployment benefits paid to the workers in the program, and that now the rules would have to be changed in the middle of the game.

Blaming companies for underestimating the number of potential layoffs, Axworthy is now offering another choice, "a deal they can't refuse." "For all the wonderful talk which we hear about high technology strategies that are coming out . . . they will never work unless you can provide a degree of job security for workers," he told the *Toronto Globe and Mail* on April 13. The next day, Axworthy made this friendly suggestion: "Work-sharing can be of advantage to firms that foresee permanent reduction in their labor demands. . . . Work sharing, integrated with training and skill development, has an obvious role to play in preparing Canadians for the new work world." This message should be clear to everyone. If you want to be part of the "new work world," you have a choice: either you recycle or you lose your part-time job.

Who is behind this conspiracy? Gilles Cloutier, a member of the Club of Rome and secretary-general of the Montreal-based think tank Gamma Group, told *EIR* recently that Ottawa was following the Club's blueprint on work-sharing. "We have direct access to Axworthy's office, the secretary of

state office of Mr. Joyal, the Privy Council, and we are also familiar with the prime minister's office," Cloutier said. The problem, he added, is that "Axworthy's work sharing is only a short-term political posture. It's a political balloon. This is only a way to change the unemployment figures."

Kimon Valaskakis, a personal friend of Club of Rome founder Aurelio Peccei who heads the Gamma Group, told the *Montreal Gazette* on March 14 that, according to their scenario, Canada will have 30 percent unemployment by 1990, "so we should reduce the work week to share the available work." He explained that "the robots of this new industrial revolution will invade all economic sectors and destroy more jobs than they will create. . . . That's why we need a national game plan. There is no other way to go." He concluded by saying that "if we don't protect the income of displaced workers," we will "have social unrest."

Both Cloutier (whose "godfather" in the Club of Rome is Sen. Maurice Lamontagne, he said) and Valaskakis reported directly to Aurelio Peccei in mid-April when the Club of Rome held a secret meeting in the Chateau Montebello, Quebec.

So far there hasn't been any serious opposition to this corporatist plan. Shirley Carr, vice-president of the Canadian Parliament and a Socialist International asset, who had to speak up for organized labor, said that work-sharing was "unacceptable. You don't build a full-time economy on part-time jobs." On the political scene, the opposition is silent; it seems to agree with arch-zero-growther Richard Gwyn, who cynically declared to the *Gazette* April 11 that "a plan to redistribute work may be the most persuasive political doctrine of all: an idea whose time has come."

OMB versus market orders

David Stockman is attempting to deregulate the programs that have maintained the supply and quality of U.S. produce.

President Reagan's decision ordering the phasing out of one of the federally administered market orders program for fruit and nut growers at the end of April gave the Office of Management and Budget (OMB) a victory in its two-year fight to deregulate the entirety of the market order programs.

There are 11 programs in this voluntary market control system, in which fruit, hops, spearmint, and nut farmers regulate the supply of their crops for the domestic and export market. The programs do not set prices or production controls.

The marketing orders have proved useful to both producers and consumers by bringing year to year stability of supply and quality. For example, in dollar terms, walnuts have become the leading agricultural commodity export item today. Phasing out the orders could threaten both overall supplies and the quality of this and other produce.

Since January 1981, when President Reagan gave the OMB the right to review all regulative programs, OMB head David Stockman attempted to eliminate the price supports and the marketing order programs. The President must sanction all regulations each year, and the Secretary of Agriculture determines how much will be produced. However, the OMB objected to the regulations on cherry production last year, and no regulations were ever issued. The cherry industry claims this cost it \$10 million.

Opposing the orders because they are used to control volume and are,

therefore, a restraint on the "free market," the OMB asked the USDA to open up the marketing orders, claiming this will cheapen production. Because the USDA stalled the request, the White House took up the matter. After a full session of the Cabinet Council on Food and Agriculture in late April, the President told the Agriculture Department it has five years to phase out the orderly marketing provisions of the market orders for hops and spearmint. Under the current system, anyone can grow as much of these crops as he wants, but cannot sell any unless he acquired a federal allotment from an established grower. Each year the program is to be modified and made more "flexible."

Market orders are responsible for the stabilization of supplies from year to year. They were first set up in the 1930s to get around the anti-trust laws which were incorporated into the 1937 Agricultural Marketing Act. Nearly all non-grain producers operate within a marketing order.

There are three basic types:

1) The Producer Allotment Programs for hops and spearmint oil. This program is the first target of the OMB, since there is a restriction placed on those who may enter the program. Most orders have been handed down from father to son, though the program now allows for a 3 percent yearly expansion of farmers in the marketing program. The OMB calls the program restrictive, and wants to eliminate it.

2) The Reserve Pool or Allocation program determines, according to

need, when to set aside and when to market, how much to sell domestically and how much to export. The program applies mainly to nuts and highly perishable soft fruits.

3) The pro-rate program for citrus on the West Coast, California and Arizona in particular. Since citrus can be stored on trees, citrus is released onto the market on a per-crate basis, so that it is spread out over the season.

Eliminating the marketing orders could well become a political issue for the President. The largest citrus and nut producers are in the Northwest and in his home base of California. The West Coast citrus growers form the backbone of the farm lobby.

According to the Democratic Party's agricultural expert, Gene Moose, deregulation of these producers should increase the political heat around the presidential election. If the West Coast growers do not like what the President is doing, "they will be told to support a new administration," he told *EIR*.

A prime target for the OMB is the Navel Orange Administrative Committee, which some have called the OPEC of oranges. The 11-member panel decides how many fresh navel oranges will be sold in the United States and Canada each year. The group, appointed by the agricultural secretary, sets the number with an eye to permitting the highest possible profit for the industry—a policy that critics have labeled legalized market-rigging.

The deregulation of the hops and spearmint program has panicked the industry. Growers believe that Stockman's next target will be the remaining fruit and vegetable orders and, after that, the whole array of federal milk market orders.

The National Farmers Union is already warning that this could mean occasional shortages and uneven quality of fruits and vegetables.

Business Briefs

World Trade

Indonesia postpones plant orders from Japan

The Indonesian government informed Japan's Export-Import Bank May 6 that it was postponing four big industrial projects totalling \$5.05 billion because of the oil-exporting country's economic problems. Indonesian Economic Coordinating Minister Ali Wardhana assured Ex-Im President Masataka Okura in Djakarta that Indonesia was not cancelling the projects, merely postponing them. However, there was no indication in the *Japan Economic Daily* report on this matter when the projects might be resumed.

The postponed projects include a \$1.5 billion aromatics plant and a \$1.35 billion oil refinery, both involving Japanese companies.

Wardhana pledged consultation with the Japanese firms involved, including Mitsui, in order to solve any financial difficulties. Some equipment had already been shipped for the projects, in part financed by the Export-Import Bank. Okura in turn promised that the Japanese Ex-Im Bank, which has already lent \$5.3 billion to Indonesia over the years, will in principle continue to extend loans despite this postponement.

Mexican Debt

Another \$500 million in arrears?

A study by *EIR* reveals that despite disclaimers to the contrary, Mexico has indeed continued to fall behind on its interest payments.

The method of non-payment is an ingenious device called *Ficorca*, which is a program to have private sector companies with foreign dollar debt—about \$17 billion of it—pay the equivalent of the interest to the government in pesos, with the central bank pledging to hand over dollars to the creditors.

The program has taken two months to set up and is still not functioning. The bureaucratic tangle has allowed the central bank to meet only a portion of private sector in-

terest falling due. One bank in the United States has reportedly only received 25 percent of what it is owed—"it is getting remittances for February in mid-May," a source indicated.

EIR calculates that up to 50 percent of the \$1 billion that Mexico's private sector owed on interest in the first four months did not end up getting paid, roughly \$500 million to add to the almost \$1 billion in arrears left over from 1982.

Common Market

Betancur proposes Latin Monetary Fund

Prior to the convening of an extraordinary Latin American summit in Quito, Ecuador to discuss the continent's economic crisis, Colombian President Belisario Betancur issued a call May 10 for the creation of a Latin American Monetary Fund in order to provide direct aid to the nations of the continent suffering from balance of payments crises.

Emphasizing the theme of Latin American integration in virtually every statement, Betancur also called on the central banks of the region to support a new series of development bonds to be issued by the Andean Development Corporation, which would in effect turn it into a development bank for the region. In a third proposal, Betancur urged that the Central American Integration Bank likewise be converted into a development bank for that suffering zone, backed by the political strength of the Contadora group (Colombia, Venezuela, Panama, Mexico).

Betancur stressed that through this process of integration lies "the possibility of our advancement, the strengthening of our negotiating capacity, the creation of more extensive markets for ourselves, compensation for our difficulties in penetrating the markets of the developed nations."

Betancur insisted that "The transitory financing of the International Monetary Fund or of the commercial banks does not resolve the problems of development." He called on the advanced sector countries meeting soon in Williamsburg "to provide us with better access to the world markets of capital goods and of technology" and to avoid the "bilateral concessions among the rich . . . that go on in closed and semisecret confabulations

in Brussels, Washington, and Tokyo." He angrily noted that "the lack of confidence has reached such a point that they [the bankers] have told Colombia, which is in a situation of privilege: yes, you're okay, but you live in a bad neighborhood. You'd better move!"

Brazilian Debt

Delfim Netto manipulates arrears

Brazilian sources assure *EIR* that Planning Minister Delfim Netto likes Brazil's new simpler and effective debt management strategy—not paying much of the debt. "It doesn't bother him even if Brazil has \$4 or \$5 billion arrears," the source stated, and then added, "the bankers aren't getting paid because they have not met their commitments to Brazil."

Instead of paying interest, the Brazilians have supplied bankers with a 70-page projection of Brazil's economic performance. "What the hell is an 'accrual?'" a Georgia banker asked *EIR* after finding that Brazil's trade and almost everything else is now accounted on an "accrual basis."

IMF managing director Jacques de Larosière sent a telex to all the major banks May 12 demanding that they loan more money to major debtors like Brazil. Last fall, the IMF forced banks to join in Brazilian and Mexican debt renegotiation packages, but neither country is bothering to plead for money now.

Agriculture

Pesticide exports to Third World opposed

Officials of the Oxford Famine Relief organization, the United Nations, and the members of the Socialist International faction of the European Parliament are all involved in an effort to require much stricter controls over the sale and export of pesticides to the Third World.

The proposed controls are based on claims that there are 375,000 poisonings of

human beings by pesticides in the Third World a year. Some one-third of these poisonings are reported to be fatal. The poisonings are attributed to bad local conditions such as too hot weather, lack of protective clothing, the inability of the users to read the labels, and lack of adequate supplies of clean water.

Member of the European Parliament Ernest Glinne of Belgium was quoted in the May 10 *Christian Science Monitor* as saying "We're going to step up pressure on legislators to put stricter controls on pesticide exports until something is done."

The U.N. Food and Agriculture Organization has been charged with drawing up a "code of conduct" on the export of agrochemicals to the Third World.

There has been no suggestion of training programs to enable Third World farmers to use the products properly.

No mention has been made to date by the plan's proponents that the estimated 10 million deaths each year from starvation and malnutrition in the developing sector would increase sharply if Third World crops were not protected by any pesticides.

U.S. Economy

Industrial utilization below 70 percent

The Federal Reserve Board's index of manufacturing capacity utilization rose in March to 69.4 percent (seasonally adjusted), just slightly above the figure reached at the bottom of the 1975 recession.

Unlike the 1975 recession, however, the capacity utilization curve in the present period exhibits a long term decline with no promise of the sharp rebound of the kind seen in the second half of 1975.

Most ominous is the three-year slump in the energy materials sector, which hit 76.8 percent of capacity utilized in March 1983 compared to the 84.8 percent utilization in the lowest point of 1975. Capacity utilization for overall industrial materials, which includes energy materials, durable, and nondurable goods materials, was 68.5 percent in March 1983 compared to 69.4 percent at the bottom of the 1975 trough.

Real Estate

Realtors see residential investment ending

Dr. Jack Carlson, executive vice-president and chief economist of the National Association of Realtors, announces in his May 1983 "Outlook" that "the rate of growth of residential investment, and so its contribution to the recovery, has peaked, and should decline precipitously over the remainder of this year and 1984."

According to Carlson's calculations, the annualized percent change in U.S. residential investment grew by 83.1 percent in the first quarter of 1983, but will fall to 38.4 percent in the second quarter, 21.6 percent in the third quarter, and finally to a negative -13.0 percent in the last quarter of this year.

Carlson notes that the "recovery" is "starting off at an even more modest pace than originally anticipated."

Developing Sector

Project cost overruns a problem in India

Lack of proper attention to the development of the construction industry in India is responsible for massive cost overruns, a mid-April study published in New Delhi said. Power and irrigation projects in the planned program have been the major victims, with costs overruns ranging from 7 to 518 percent, the public figures indicate.

The usual causes of time and cost overruns include delayed decisions on locating the plants, land acquisition, and construction of the external infrastructure necessary to build the project.

The study also points to power shortages, shortages of essential building materials, transportation difficulties, lack of proper coordination between the central and state governments, and lack of cooperation between the state and the project authorities, among other causes of the delay and cost overruns.

Briefly

● **AFRICA'S EXTERNAL DEBT** will be one of the main topics of a four-day annual meeting of the African Development Bank (ABD), which begins May 11 in Nairobi, Kenya. Africa's debt has risen from \$17.12 billion in 1973 to \$84.9 billion by 1981, according to a research paper published by the ABD, and is a serious impediment to African development, precisely at a time when falling export income and decreasing aid flows have made African countries more dependent on credit.

● **JACQUES FREYMOND**, Club of Rome member and director of the Geneva-based Center for Applied Studies, stated May 11 that between \$16 to \$20 billion will be needed in the next two months to keep the Western banking system afloat. Asked where the money was going to come from, Freymond answered: "No one knows. It will come, even if it has been printed from one day to the other."

● **SPEAKERS** at the May 17 Washington conference, "Agenda for International Monetary Reform," will include Henry Kissinger, George Shultz, Donald Regan, Paris mayor Jacques Chirac, Robert Triffin, former Bundesbank chief Otmar Emminger, Lord Nicholas Kaldor, Lew Lehrman, Ronald McKinnon of Stanford University, Josef Frankyl of the University of Chicago, Beryl Sprinkel, and Gottfried Haberler of the American Enterprise Institute. The conference was organized by Rep. Jack Kemp and Robert Mundell of Columbia University. Varieties of a "New Betton Woods" proposal will be promoted as part of the pre-Williamsburg public relations effort.

● **BOLIVIAN** Finance Minister Flavio Machicado told a committee representing 128 banks in New York that Bolivia cannot meet current interest payments unless it receives \$75 million in new loans. Bolivia is \$150 million behind on interest now due.

How not to solve the world debt crisis

by Kathy Burdman

Since the September 1982 bankruptcy of Mexico demonstrated that \$700 billion in Third World debt faces a financial collapse, dozens of bankers and economists have pursued a "new Bretton Woods" system to restructure the debt.

Some, such as U.S. liberal Democrat Felix Rohatyn of Lazard Frères, propose that a "new institution" be set up to "stretch out" the debt; Rohatyn specifies a term of 30 years for principal of \$300 billion, and a reduction in interest payments by half. These strategists argue that the current IMF system established in 1944 at Bretton Woods is inadequate, and that a new Bretton Woods must create new institutions parallel to the IMF, a demand echoed by "pro-Third World" groups such as the U.N. Conference on Trade and Development and the Brandt Commission.

From the so-called right, U.S. Treasury Secretary Donald Regan, Rep. Jack Kemp (R-N.Y.), and the NATO Atlantic Council demand that all the debt be paid, but also look toward a new Bretton Woods conference to reform the international currency system.

This is a rigged debate, as indicated by the fact that the new Rockefeller commission on Latin American debt, comprising both "liberals" and "conservatives," has been preparing multinational corporations to lobby for a "new Bretton Woods" debt plan with the threat that they will otherwise pull their operations out of the continent. Every plan for a new Bretton Woods, left and right, can be traced to the Bank of England; to the Swiss-based "central bankers' central bank," the Bank for International Settlements (BIS); and to their agency for controlling the underdeveloped nations, the International Monetary Fund (IMF). They plan a new global system, not run by nation-states which are more or less accountable to resistance against austerity by industry and labor, but one openly run by central bankers and private banks.

"For some time, people have operated under the fiction that credit arrangements with countries are sovereign matters. This is a lie," a consultant to the bankers at the Overseas Development Council in Washington, D.C. said recently. "We are on the edge of ending once and for all the idea that, on an international



Stuart Lewis/NSIPS

The founding press conference of the Rockefeller debt commission, formally known as the Commission on Western Hemisphere Foreign Debt and Public Policy. Left to right: John D. Macomber of Celanese Corporation, former Chase Manhattan chairman David Rockefeller, and Robert Hormats of Goldman Sachs investment bank.

scale, credit is a sovereign instrument, regulated by individual countries and their banks. Credit is to be regulated and directed according to international arrangement and in no other way."

To the United States and other industrial nations, the new system would not mean recovery, but rather the institutionalization on an international scale of the kind of credit controls which Federal Reserve Chairman Paul Volcker has imposed upon the American economy since October 1979. Although Rohatyn and other proponents of "debt relief" claim that lower debt payments will mean more U.S. exports to the LDCs and will thus stimulate recovery, in truth overall world credit flows would be reduced dramatically, causing a collapse of U.S. export industries, especially agriculture.

The United States itself, if it signs such an international agreement, would be committed to maintaining a tight credit policy regardless of who runs the Federal Reserve or the White House. "The Reagan administration will not subscribe to this idea," said the ODC source, "but they will be forced by the crisis to accept it." The United States is to be treated "like a developing sector country," he stated. "We are all in the same boat."

Proponents of the new Bretton Woods openly state in particular that under the agreement the United States would not be allowed to engage in the levels of defense spending necessary for President Reagan's new strategic commitment to a high-technology directed-energy beam weapons program. "Reagan's proposal won't come to anything after what we have to do to the entire U.S. defense budget," Frank Southard, author of the NATO Atlantic Council's new study,

"The International Monetary System: Exchange Rates and International Indebtedness," told *EIR*.

Origins of the debt crisis

Most of the players in the debt game do not grasp the fact that the current debt crisis was politically triggered to consummate the bankruptcy of the 1944 Bretton Woods system. The British government's April 1982 shooting war against Argentina was the pretext. Since then, central and commercial banks have essentially pulled the plug on \$700 billion in debt. Argentina, Mexico, Brazil, Venezuela, Peru, Colombia, Nigeria, Indonesia, and a dozen other nations, whose development programs were "perfectly viable," in the words of IMF officials, were bankrupted deliberately by sudden unfounded bank loan refusals.

In May 1982, with the participation of BIS chief economist Alexandre Lamfalussy and IMF Managing Director Jacques de Larosière, and directed by Barclays International Manager Sir Peter Leslie, the bankers allied with the BIS established a formal creditors' cartel, the Ditchley Group, now known as the Institute for International Finance.

Shortly thereafter, the basic outlines of the new Bretton Woods were announced by spokesmen for the central banks themselves. The key statements on the use of debt for imposing austerity upon the Third World were made by former British minister Lord Harold Lever, in his summer 1982 Churchill Memorial Lecture, and by Giovanni Magnifico, Central Manager of Operations at the Bank of Italy and spokesman for Venetian financial interests, in a London speech on Dec. 10, 1982.

Lever announced that the post-war Bretton Woods system had permitted too much world lending, allowing the Third World to aspire toward development, and must be redesigned to halt this. He also pointed out the danger of a debtors' cartel which could hold the BIS banking system "hostage." To reorganize the system, Lever called for the formation of "an International Bank—a sort of central bank of central bankers."

That institution would see to it that this sort of debt expansion never reoccurs: it would impose credit controls over all new loans. Nations would have to "pool" their sovereign control over the issuance of future new credit. This was the purpose of calling in the loans in the post-Malvinas credit cutoff to most of Latin America: to enforce reductions in their total of future credit.

A debt exchange

However, to maintain control over the old loans, Lever said at the time, the International Bank would have to restructure them through a debt exchange. It was stressed that the BIS central banks and private banks of the North must control this process. Lever proposed that the Bank exchange its own long-term bonds to the private banks and take on their holdings of LDC short-term debt. In other words, the Bank would become the creditors' collection agency. The terms of collection of the old debt, however liberalized, would stipulate reduction of new credit volume.

Giovanni Magnifico of the Bank of Italy suggested to a London audience shortly thereafter that the debt exchange could be illustrated with the example of the World Bank as the collection agency. "The World Bank could help to fund a part of the LDCs' short-term foreign debt, by issuing special bonds and using the funds raised to grant 'funding loans' to the LDCs, who would be required to use these loans to reimburse their short-term bank debts," he said. Magnifico pointed out that if the collection agency were thus "linked" to the IMF, the IMF could have conditionality powers over LDC debtors to ensure payment of restructured debt.

The new agency could also be a "sister fund" of the IMF, turning the IMF into a "world central bank," former U.S. Treasury Secretary Henry Fowler, now at Goldman Sachs investment bank, told the Senate Foreign Relations Committee on Jan. 10, 1983. Control over world credit "is not provided for in the IMF charter," Fowler complained. "That gap has to be filled. We should look at the IMF and see if its charter needs to be revised. Now is perhaps the time to talk about a world central bank."

In a Sept. 27, 1981 speech given to the IMF annual meeting, then BIS president Jelle Zijlstra had made one of the first public calls for a "new Bretton Woods" currency system of "fixed but adjustable rates of exchange." Zijlstra called for an international monetary conference at which the central banks of the Bank for International Settlements would

re-establish an official gold price.

Zijlstra in effect showed how the industrial nations of the OECD were to be placed under the same regime as the Third World, using currency rates rather than debt agreements per se. To enforce a currency peg, the BIS central banks must be given veto power—"harmonization"—over the domestic policy of member nations, including control over credit, over budget deficits, and wage and price controls, he said. This is the reality of the "Rohatyn Plan" currently being peddled to the Third World under the rubric of debt relief, and to the advanced sector as the only means to enforce "fiscal responsibility."

A pre-emptive effort

As *EIR* has reported for the past several years, Lord Lever, Magnifico, and Zijlstra are correct in one essential respect: The Bretton Woods system was quite definitely completely bankrupt, even before the creditors' cartel pulled the April 1982 plug. The economic policies of the BIS central banks have kept the world as a whole on a negative growth path for two decades, making it impossible in any case for the Third World to generate the revenue required to pay \$700 billion in foreign debt.

Global central bank is unconstitutional

Plans to assign control over U.S. foreign lending to the International Monetary Fund (IMF) and the Bank for International Settlements (BIS) are in flagrant violation of the Constitution.

Under Article I, Section 8 of the U.S. Constitution, Congress and only Congress has the power to regulate currency and credit. Further, under Article II, Section 2, the President has the sole power to make foreign policy, with the advice and consent of the Senate where treaty arrangements are involved. None of these powers may be legally given or delegated to a supra-national body such as the IMF existing *above* the nation-state, which is the highest juridical form recognized by a sovereign republic and by the Constitution.

Under legislation pending in the Senate and House Banking Committees, the Federal Reserve and the IMF would be given total control over setting all U.S. foreign loans and over classification of "country risk" in the Third World. Comptroller of the Currency C. Todd Conover

EIR founder Lyndon H. LaRouche, Jr. for years has called for the reorganization of the system, starting with a moratorium on the entire \$700 billion.

In fact, the three central bankers' plans can be seen as a twisted Malthusian plagiarism of one part of LaRouche's proposal, which was published in June, 1982 under the title "Operation Juárez."

LaRouche proposed two basic steps. First, the nations of the industrial North and the Third World must agree to stabilize the debt; a "debtors' cartel" may well be required to bring the North to the table. The debtors should exchange their unpayable, short-term, high-interest debt paper with the banks for an equivalent amount of 20- to 30-year long-term bonds at 2-4 percent interest rates. LaRouche was the first to propose the idea of the debt exchange, but only under the strict sovereign control over credit by nations, acting on behalf of the growth and well-being of their populations—not by the IMF and other supranational institutions loyal only to the supranational, neo-colonial principle of subordinating and reducing the "lesser races" and suppressing technological advancement.

Second, LaRouche insisted—and this specification has since been taken up by leaders in Japan, India, and Latin

America—that there be massive issuance of new credit to ensure industrialization of the Third World, incidentally the only way the debt can ever be paid in any case. LaRouche proposed that nations establish a new international institution, a gold-backed international facility at which the bonds could be rediscounted, to generate several hundred billion dollars annually in export credit.

Otherwise, the bonds remain as worthless as the current debt structure.

Any bank which maintains that policy may participate. The BIS, IMF, and World Bank are cut entirely out of the picture to the extent they do not reverse their present animus toward industrial expansion.

Lever proposes the reverse, as LaRouche has pointed out: the use of a new international institution controlled not by governments, but by the private banks, and set up not to issue new credit, but to ration credit.

This, LaRouche said, is "a system in which bankers try to maintain their political power—and they, along with the rest of the world, lose a lot of money." For the austerity plans which have already caused sweeping bankruptcy will result in a crash which will be far more destructive than the 1929-32 catastrophe.

has pointed out that "this will very quickly become the most important decision made about economic relations between the United States and those countries."

The overriding principle of the new legislation is that the Federal Reserve, working with the IMF, will be given leading authority over the volume and direction of U.S. foreign loans, weakening all the current powers of the U.S. Treasury and related agencies such as the Federal Deposit Insurance Corporation. The effect will be to consolidate all regulatory power over U.S. banking under the Federal Reserve, in effect setting up the Federal Reserve as a giant new "super-regulatory agency" as was proposed during the last days of the Carter administration. The Federal Reserve will determine all this based on information it is given by the BIS and the IMF.

The law also states that the IMF should set up "limits" on how much countries can borrow, both Third World countries, and big countries like the United States. "The United States is really calling here for a new role for the IMF, a new order in which the IMF is going to be policing all world lending markets," one bank expert said.

No principle is more fundamental to America's Constitution than the notion of national sovereignty. Documentary evidence demonstrates that the notion of national sovereignty embodied in the Constitution is that of Grotius, Leibniz, Pufendorf, and Vattel, in which the sover-

eign lawful powers and authority of the U.S. government cannot be abrogated or subordinated to any other legal authority or supra-national body.

The exercise of national sovereignty involves certain fundamental powers necessary to carry out the great objects of the Constitution. The power to regulate credit and currency is one of the most fundamental powers given to the national government under the Constitution. This power was eloquently affirmed in Supreme Court Chief Justice John Marshall's historic decision in the 1819 case *McCulloch v. Maryland*.

The Federal Reserve System itself is of very doubtful constitutionality, functioning as it does as a "fourth branch" of government outside the constitutional framework of Executive, Legislature, and Judiciary. To then give such a "fourth branch" virtual dictatorial powers over U.S. banking and U.S. lending, is in total violation of the Constitution; the illegality is compounded by allowing the Federal Reserve to operate as an arm of the supranational IMF and BIS.

The e BIS and IMF proposals would mean that some of the most fundamental and important sovereign powers of the federal government are being assigned to a supranational cabal of Swiss and British bankers. That cannot be permitted by those whose oaths of office pledged them to uphold the U.S. Constitution.

'Banking system hostage to its debtors'

These excerpts are from Sir Harold Lever's summer 1982 Churchill Memorial Lecture.

The Eurodollar market became a mechanism for channelling the huge banking and other funds which could not find a satisfactory outlet within the stagnating economies of the advanced countries . . . but it had many shortcomings and many dangers. . . . What could be more enjoyable than a financial conjuring trick which transferred hundreds of billions to the weaker nations. . . ? Governments and bankers continued to assert that this ever-mounting debt . . . which has the structure and stability of a chain letter, could continue indefinitely. The flaws in this arrangement are now clearly revealed. . . .

As a result, the system causes us to be seen as neo-imperialist usurers. In reality, the lending constitutes an unrequited transfer of resources that dwarfs the Marshall Plan.

The banking system as a whole, therefore, is at all these points heavily exposed—and to a unique degree. This pressure at worst threatens its solvency. . . . *The banking system is becoming hostage to its impoverished debtors* [emphasis added]. . . .

The governments of the world must now accept some responsibility for past lending and undertake the necessary supportive action. For past lending, ideally, governments should agree on joint action to protect the world's banking system by setting up an International Bank. It would act as a lender of last resort in appropriate cases, and would exercise the kind of general supervision over international lending that is now exercised by central banks over domestic lending. . . . This might be done by a committee of central banks, preparing a periodic outline of the total volume of bank lending needed. This overall sum would then have to be apportioned between the prospective borrowing countries: for this purpose, lending banks would be required to notify proposed loans to the committee so that the overall Eurodollar lending would be brought under the general central bank supervision.

'Give the World Bank a new role in LDC debt'

Excerpts from a speech by Bank of Italy Operations Manager Giovanni Magnifico in London on Dec. 10, 1982.

In normal circumstances, short-term loans can be rolled

over smoothly, which is what has happened for a number of years now. But once a confidence problem arises, refinancing becomes difficult. In order to reduce the risk of insolvency of debtor countries and the fragility of the international financial system, short-term debts need to be reduced.

The problem is how to fund the international floating debt. It will be necessary to invent new mechanisms and methods to pilot through the '80s what could amount to the largest international debt management operation ever.

I believe that the World Bank should be given a more important role in the management of the huge debts accumulated by the LDCs [Less Developed Countries]. Specifically, the World Bank could help to fund a part of the LDCs' short-term foreign debt, by issuing special bonds and using the funds raised to grant "funding loans" to the LDCs, who would be required to use these loans to reimburse their short-term bank debts. To place its bond issues, which would have an average life of 10-12 years, the World Bank would set up consortia with the leading international banks, i.e., with the creditors of the LDCs, but the bonds should be placed primarily with the various categories of private and official investors.

To be able to put this into effect, it would be necessary to modify some clauses of the bank's statutes as well as some of the criteria upon which its lending has been based to date.

It might be advisable to make World Bank funding dependent on the successful conclusion of negotiations with the IMF. It might also be advisable for the World Bank to be fully involved in these negotiations, to which it would bring its experience in the field of policies.

Whereas loans granted by the IMF involved the creation of money, this World Bank solution would not increase liquidity since it would be financed by the market. . . . A solution of this kind as far as the World Bank's role is concerned, avoids having recourse to the creation of liquidity.

'Halt the excesses in budgets and wages'

From the speech by Bank for International Settlements president Jelle Zijlstra, then chief of the central bank of the Netherlands, to the IMF annual meeting on Sept. 30, 1981:

In my speech to the Annual Meeting of the BIS in June of this year, I said, and now I quote: "If the domestic price of money is not to be disregarded, why should its external price be? We cannot safely adopt as a principle that exchange rates should be left to their own devices. The exchange rate is too important a macro-economic variable." My own answer is a paraphrase of Walter Bagehot: "rates of exchange will not manage themselves," or "rates of exchange are too important to be left alone." The principle in that answer is explicitly recognized in the Bretton Woods type arrangements which

exist within the European Monetary System for fixed but adjustable exchange rates, with narrow margins of permitted fluctuations, between the currencies of participating countries. For that to be possible there must be sufficient harmonization of economic policies. . . . In my opinion, control of the money supply is necessary but not sufficient. Fiscal policy [budget cuts] plus wage and price policies [controls] cannot be dispensed with. . . . Money creation run wild induces excesses in the budget and in wages, or prevents them from being corrected. In my country, we have had for many years at our disposal the instrument of credit ceilings. If the expansion of money supply threatens to assume unduly large proportions, the Netherlands Bank can impose restrictions on the volume of lending by the banking system. In the past, this power was exercised repeatedly; the last restrictions were imposed as from 1977. . . . It is most frustrating that, sales against foreign exchange apart, there is no systematic manner in which this reserve component can be used. . . . I feel that it is necessary for us, within the Group of 10 [industrial nations] and Switzerland, to consider ways to regulate the price of gold, so as to create conditions permitting gold sales and purchases between central banks as an instrument for a more rational management and deployment of their reserves. . . .

'A crisis will bring Reagan into line'

From an interview last month, provided to EIR, with an official at the Overseas Development Council:

Q: Why is there so much discussion about a "new Bretton Woods"?

A: It is needed to create a sense of urgency. I am certain, that with the briefings going into the White House, the effect will be achieved.

There were some stupid people like Citibank's Wriston who said that every penny of the debt would have to be paid. He has even been forced to change his mind.

The solutions being discussed are all converging on one general plan. First, that developing nations will be given what is called an "international Visa card" with a credit limit for both private and public borrowing. In addition, the IMF, with enlarged funds, will provide backup. The banks will provide loans to pay interest on existing loans and in most cases allow moratoria on principal payments. There is going to have to be some kind of global operation to exchange short-term paper for long-term paper and an orderly writedown of non-performing paper.

For some time, people have operated under the fiction that credit arrangements within countries are sovereign matters, that how much somebody lends, to whom and on what terms, are sovereign matters. This is a lie. . . .

Felix Rohatyn is selling snake oil

In the early 1980s, a major publishing firm quitted its New York City headquarters after decades of residence, citing the steep escalation in commercial rents and the collapse of the supporting urban infrastructure—which the firm said made it impossible to conduct business in New York any longer. Of the companies that have remained in "Fun City," there isn't one that hasn't experienced a drop in employee productivity owing to the breakdown in transportation and other services that are necessary to maintain a productive work force.

The individual who is, above all, responsible for the gutting of New York's productive economy—and the flourishing of real estate speculation and the illegal economy—is Felix Rohatyn, the investment banker from Lazard Frères. As architect and chairman of the Municipal Assistance Corporation (MAC), Rohatyn designed the "stretch-out" of New York short-term debt in 1975 which purportedly brought the city back from the brink of financial crisis. New York City's short-term debt was rolled over one more time; its creditors exchanged their worthless city paper for MAC bonds backed by the state of New York; services were slashed and capital spending cut to the point where today the city's sewers are on a 300-year replacement cycle.

Now Rohatyn is proposing to put the world economy through the same "pain and agony," as he was fond of calling his financial medicine for New York City's 1975 debt crisis.

As noted in the introduction to this Special Report, Rohatyn's program is based on the proposals of Britain's Lord Harold Lever and Lever's co-thinkers. A version of the Rohatyn call for a "stretch-out" of debt, minus the politically explosive proposal for a new institution, is the centerpiece of the new Omnibus IMF Bill in the U.S. House of Representatives, introduced by House Banking Committee chairman Fernand St. Germain (D-R.I.), a close Rohatyn ally.

Rohatyn likes to pose as a liberal. He works with the Harriman-Manatt wing of the Democratic Party; he is being promoted by AFL-CIO president Lane Kirkland as the next treasury secretary in a Democratic administration; and he puts himself forward as a friend of the Third World. But the "debt relief" plan Rohatyn is advocating involves global credit constriction tough enough to shock an arch-monetarist.

In New York, in fact, Rohatyn modeled his financial wizardry on that of Nazi Finance Minister Hjalmar Schacht,

designing a financial plan that would extract debt service while extending no new credits and impose murderous austerity on a shrinking economy.

The New York legacy

In 1975, Rohatyn's associates in the major banks and investment houses, who had for years profited from rolling over and increasing the city's debt, made a calculated political maneuver and refused to underwrite further loans. When the city verged on default on upwards of \$16 billion, Rohatyn was appointed to form a "new institution"—the Municipal Assistance Corporation—by New York State.

MAC functioned as a creditors' collection agency. It took

'Sovereign nations complicate solution'

From the proposal by Felix Rohatyn in the Feb. 28, 1983 issue of Business Week for a "global Big MAC" policy:

"The [international debt] problem, while much greater in magnitude and infinitely more complicated, is not unlike that faced by New York City in 1975. Then the solution included forming an independent state agency, the Municipal Assistance Corporation (MAC), that could convert the city's short-term debt into long-term debt. This was possible because the state allocated a tax revenue stream which the city could not touch and which assured that the debt service would be paid."

"Debt-heavy countries need the same conversion of short-term to long-term debt. The fact that they are sovereign nations complicates the solution. Still, some international agency, such as the IMF (which is essentially a worldwide MAC) or a new organization, could help those debtor countries establish a revenue stream tied to sales of their commodities or other kinds of income in a way that would service their long-term bonds in an orderly and credible manner."

The present IMF conditionalities are "self defeating," because, "unless a strong—and unlikely—worldwide recovery occurs soon, the potential for social and political radicalization will increase together with the risk of debt repudiation by one or more countries [emphasis added]."

The political difficulties of a worldwide MAC "are immense. . . . There would be a cry of bailing out the banks. . . . and there would be opposition to easing credit abroad while American industry is in difficulties."

the city's short-term debts off the banks' books, exchanging them for its own long-term MAC bonds. The banks then had a safer asset, while MAC held the city debt.

The Emergency Financial Control Board (EFCB), composed of the bank creditors, was set up as the "enforcement" arm of MAC. While legally unconnected to the MAC financial fund, the EFCB had the power to veto the city's expenditures and total budget and to dictate austerity in all operations.

Under MAC, New York's services and capital plant were stripped bare. More than 60,000 city employees have been laid off since Rohatyn's plan went into operation, 30 percent of the work force. The 35,000-man police force has been reduced to 27,000. The Metropolitan Transit Authority's maintenance staff has been cut 35 percent, and under the EFCB's "deferred maintenance" program enacted in 1975-76, train breakdowns in the dilapidated subway system have nearly trebled. The "economic development" plan instituted after 1975 consisted of giving millions of dollars in tax breaks to real estate interests for high-cost hotels, office buildings, and residential condominiums, a policy which fueled a real estate bubble while draining the city of revenue.

Further, Rohatyn set up a system to sequester cash flow for debt payment. New York State allocated an earmarked tax revenue stream "which the city could not touch," as Rohatyn said, for use in payments due to MAC. To provide liquidity and a guarantee for the MAC agency, the banks demanded that city unions use their pension funds to buy MAC bonds. New York State and the U.S. federal government were asked to guarantee MAC bonds.

Since MAC's establishment, Financial Control Boards have exercised complete credit control over New York. Because merely cutting city expenditures could not free up sufficient funds to pay off the city debt to MAC, a certain amount of new credit was borrowed for the city by MAC for debt roll-overs and for a limited amount of city operating expenses (which is why the MAC debt still exists eight years later). However, the entire process guaranteed that the creditors would maintain control over New York's economy, accelerated industrial shrinkage in the city, and reduced the overall flow of credit sharply.

A 'worldwide MAC'

In a Nov. 4, 1982 article in the *New York Review of Books* and a Feb. 28, 1983 feature in *Business Week*, Rohatyn proposed a new institution modeled on Lever's international bank, a "worldwide MAC," which would turn short-term debt into long-term bonds at extremely low interest rates. The private banks would hold the safer MAC long-term bonds, and the worldwide MAC would collect from developing sector debtors.

Accountants point out that a 30-year bond at 6 percent is, under normal accounting practices, worth as little as 50 percent of the face value of a three-year loan at 13 percent; thus, the banks would have to take an unspecified large loss. However, Rohatyn is also proposing that governments bail out the

banks. For liquidity, OECD governments would have to contribute capital to the global MAC to help buy out the debt. In practice, much of the 50 percent loss on the new MAC bonds—\$150 billion—would have to be borne by the taxpayers of the industrial nations.

This plan would protect the North from being “hostage” to a debtors cartel, Rohatyn has said. Once the debt were stabilized under the MAC agency, and gotten off the books of the private banks, the LDCs could not use debt as a weapon to force the North to grant new development credits.

The IMF would keep the role of imposing conditionalities upon the borrowers, playing the enforcement role that the EFCB did in New York, and maintaining a cosmetic separation between the MAC agency and the IMF proper. The IMF would institute credit controls for debtors, maintaining “oversight” on all new borrowings. There would be a limited amount of new credit, but never enough for industrialization.

The global MAC would also, as in New York City, sequester revenue from Third World nations’ incomes; it would “establish a revenue stream,” Rohatyn explains, of LDC export revenues, to “service their long-term bonds in an orderly and credible manner.” Lawyers have suggested that multinational banks who finance Third World countries’ exports might sequester the countries’ earnings before the cash ever reaches home.

Regarding national currencies, Rohatyn has also proposed a version of the Zijlstra plan, calling for European currencies, the dollar, and the yen to be fixed within “ranges” by central banks. The central banks would be given supranational “surveillance” control over members’ economic policy, for example, to coordinate nations’ monetary policies. (It is worth noting here that Rohatyn’s wife is the daughter of Clarence Streit, who in 1939 proposed “Union Now,” a policy of returning the United States to the British Empire. By 1941, Streit was active in the International Fabian League.)

Rohatyn’s scheme would, in short, return the world to the colonial era when creditors collected debts by seizing their victims’ customs stations and impounding the revenues.

Big MAC plans on the left and the right

More than a dozen plans similar to Rohatyn’s have been floated, many presented as liberal, pro-Third World schemes. They include:

●**The British Commonwealth Study Group.** Speaking in the name of the Third World, at the Aug. 30-31, 1982 London meeting of Commonwealth finance ministers, Shri-

dath Ramphal, Commonwealth Secretary General, and New Zealand Finance Minister Robert Muldoon called for a “new Bretton Woods global monetary conference.”

The Commonwealth, whose Study Group on International Monetary Affairs is headed by Lloyd’s Bank Chairman Sir Jeremy Morse, basically supports the Rohatyn plan. They propose to set up a “new institution,” separate but “sister” to the IMF, London sources told *EIR*. It would conduct a “global reorganization of debt,” sources said, with an “exchange” of short term debts for long term paper of the new body. The liquidity to buy out the debt would have to be paid in by OECD governments.

The Commonwealth is also debating the form of a new currency system. They believe “all currencies are overvalued and that they therefore must be devalued in a coordinated way,” sources said. Some say this could be done within the dollar system; others are considering dumping the dollar and using the IMF’s Special Drawing Right as a key reserve.

The Commonwealth proposes that the Soviets be included in the new system, regardless of U.S. desires, the source said. Since all currencies will be pegged to gold, the Soviets would contribute gold reserves to the new institution.

Commonwealth Secretary Ramphal insists that large debtor countries be allowed heavy representation in the new system; “they must be given the illusion that they are getting a piece of the pie, otherwise they might get suspicious,” one source said.

●The avowedly Third Worldist **UN Conference on Trade and Development (UNCTAD)** on Jan. 26, 1983 published its “Policy Paper 11 on International Financial and Monetary Issues” for the June 1983 UNCTAD VI conference in Belgrade. This conference, to be attended by both North and South, will be the scene of a major effort by the British Commonwealth in particular.

In order to keep the LDCs locked into negotiations, rather than in establishing a debtors’ cartel, the paper calls for a Rohatyn-type stretch-out now, not on bank debt, but on the much smaller official debt owed by LDCs to OECD governments. It suggests “postponement” or moratoria on official loans and/or a stretch-out to “consolidate” official debt so that the annual payment due is a “fixed proportion” of debtors’ export earnings.

In the “long term,” UNCTAD calls for “the creation of an International Central Bank with powers of credit creation,” and “arrangements” to exchange “short- and long-term finance.”

Former World Bank official and now Pakistani Minister of Planning **Mahbub ul-Haq** proposed at the New Delhi Non-Aligned nations’ summit March 9 that the IMF establish a “special rescheduling facility,” a sister fund within the IMF as proposed by Rohatyn. The IMF special facility would both conduct an exchange of short term official debt and “coordinate” private bank debt, ul-Haq told the press. The banks would gain “greater IMF surveillance over the Third World,” he said.

Ul-Haq proposed that the new facility be given liquidity to fund debt relief by IMF sales of gold stocks and a new issue of SDRs.

So negative has reaction to ul-Haq's plan been that at a press conference at the IMF in Washington April 29, Pakistani Finance Minister Ishaq Khan denied that either ul-Haq or his government had made the proposal.

●From the "liberal Republican" center, former U.S. Secretary of State **Henry Kissinger** in November 1982 held a conference at Georgetown University on "International Banking" to discuss the debt exchange. Penelope Hartlund-Thunberg, in a private paper commissioned by Kissinger for the conference, called for the "Federal Reserve and the central banks to buy out a portion of the bad debts of the banks, to inject liquidity."

In a Jan. 24 *Newsweek* feature titled "Saving the World Economy," Kissinger warned that the debt must be reorganized so that "the debtors should be deprived of the weapon of default."

Kissinger also called for an "overhaul of the international monetary system" in which "central banks should agree on the range for exchange rates." The BIS-controlled central banks must have surveillance powers to "coordinate fiscal and monetary policies," he specified. On May 17, 1983, Kissinger was the featured speaker at a Washington conference sponsored by Rep. Jack Kemp (R-N.Y.) to demand a "new Bretton Woods" conference to establish fixed exchange rates under the aegis of the BIS.

●On the "free market" conservative side, U.S. National Security Council chief international economist **Norman Bailey** has proposed a scheme to exchange the debt on a direct debtor-to-creditor basis. His proposals appeared in *Business Week* of Jan. 10, 1983 and in a longer piece in the March issue of the Georgetown Center for Strategic and International Studies magazine.

Bailey proposed first that the banks establish a new "financial instrument," the "Exchange Participation Note (EPN)," which the central banks of debtor nations would issue directly to private banks and government creditors alike in exchange for retiring their debt obligations.

Lacking a collection institution, Bailey's scheme has no formal enforcement powers vis-à-vis debtors. However, the EPN might be paid by revenues, upon which EPN holding creditors would have first lien, from the export and other foreign-exchange earnings of the debtor nation. The amount of revenue paid each year is to be reduced to a "prudent level" of the debtor's earnings as a form of debt relief. From the debtors' standpoint, this resembles the "cotton bonds" the British Empire issued when it made Egypt a colony in the 19th century.

There is no direct conditionality role for the IMF or any other agency. No new credit is provided under the plan. Nor would a new international institution be involved; but this is unworkable from the creditors' side. If there is substantial

debt relief, the EPNs must be worth much less than the debt they replace, and the scheme provides no fund to prevent banks from huge losses. If the EPNs are not worth less, the debtors will not be able to pay them.

●Also from the free-market side, **Princeton University Professor Peter Kenen**, member of the Group of 30 and the Morgan Bank's Institute for International Economics, published a variant of the Rohatyn plan in the *New York Times* on March 6, 1983.

Kenen calls for the establishment of a new "International Debt Discount Corporation" by the OECD governments, who would pay in capital. The IDDC would issue its long-term bonds to private banks, exchanging them for the banks' short-term Third World debts. It would agree to buy only the debts of those LDCs which submit to IMF conditionalities; they are to be allowed to borrow a certain amount of new credit, under IMF supervision.

Kenen, unlike Rohatyn, specifies that the bonds would be worth 90 cents on the dollar to the banks, who would therefore take a minimal 10 percent loss on \$300 billion short-term LDC debt, a \$30 billion loss to be spread among over 12 major banks and hundreds of small banks.

Kenan claims this is plan has a more "free market" character than that of Rohatyn. However, he is asking the LDC debtors to pay as much as they are already due to pay—and have already shown they cannot.

●Speaking for the banks in London, **William Mackworth-Young**, chairman of Morgan Grenfell investment bank, went on record in favor of an extended Kenan facility in the March 15 *Financial Times*. "The basic thrust of all these plans," he elucidated, "is to strip assets out of the banking system which shouldn't have been there in the first place."

He proposed to create a new agency, "supported by the IMF or central banks," which would purchase LDC debt from the banks "at face value" (thus granting no debt relief to debtors on principal), and issue non-interest bearing bonds. The banks could discount the bonds at central banks for more cash, and could be converted into negotiable bonds for trading on a new secondary market. Because the bonds would be guaranteed by the central banks, any investor would buy, he said.

●Barclays' Bank chairman **Timothy Bevan** and Barclays International General Manager **Peter Leslie** favor a more limited version of the Kenan scheme. Barclays called for the BIS central banks to establish a new "rediscounting facility" which would "purchase portions of rescheduled loans from banks, at a discount" to provide liquidity for banks with "locked-up debt," much as the Federal Reserve now does within limits.

Banks would have to agree to lend the equivalent in new money, and the risk transfer would be only temporary; if the discounted loan "turns sour," Leslie said, "it will revert to the bank, which will have to write it off."

Kissinger and Shultz created the crisis

by Christian Curtis

Approximately \$200 billion of Latin America's \$310 billion foreign debt is the result of usury, capital flight, and declines in terms of trade, a study being prepared by *EIR* shows. Roughly two-thirds of all Latin American debt has nothing to do with "excessive spending" or "overly ambitious development," or, indeed, with any spending at all. Most of the debt is a penalty paid by Latin American countries for the incompetent policies introduced in the early 1970s by Henry A. Kissinger, Paul A. Volcker, and George Shultz.

The American decision to float the dollar and suspend gold backing for U.S. foreign payments in 1971, taken by then-Treasury Undersecretary Volcker and enforced by George Shultz, Treasury Secretary after 1972, created an unregulated banking pool of \$2 trillion, larger than the American domestic banking system. The so-called Eurodollar market put a permanent floor on interest rates, siphoned credit into speculative channels, and provided means for looting of "flight capital" from the economies of developing countries."

In 1972, under Kissinger's direction, the Rambouillet economic summit meeting acknowledged floating exchange rates, i.e., the absence of any criteria of value for the dollar other than gains available through speculation, and thus ruined what chances remained to rescue the world economy from a series of monetary shocks and world depression.

The study shows that most of this illegitimate debt was imposed after October 1979, when U.S. Federal Reserve Chairman Paul Volcker began increasing interest rates from 8 percent to over 20 percent. Latin American economies paid \$114 billion in interest alone between 1979 and 1982.

Volcker's pretext for raising interest rates to the highest level in recorded history was the collapse of the dollar's value on foreign exchange markets during 1979. In fact, Volcker's policy of uncontrolled Eurodollar expansion under the floating-rates "gold-demonetization" regime had ruined the dollar's value. To compound his original blunder, Volcker attempted to stabilize the dollar's value at the expense of both the American and other industrial economies, as well as those of the Third World.

Had Volcker left interest rates at the 1978 levels, *EIR* demonstrates, these interest payments would have been no more than \$65 billion; \$49 billion of total Latin American debt is therefore the result entirely of actions by the Federal Reserve chairman.

More than 80 percent of all short-term debt contracted since that time, and an increasing share of long-term debts, have been solely for the purpose of rolling over past obligations and meeting the service costs of the Volcker policies. The remainder is ostensibly for financing trade, but this share, too, is rapidly collapsing, as Latin American countries have all but stopped imports during 1983.

Shift to short term

In 1979, Volcker's first year as Fed chairman, annual interest payments soared by 54 percent to \$17 billion, and by last year they totaled \$34 billion. Interest payments were less than \$8 billion until 1978, when they reached \$11 billion.

In addition to the \$49 billion stemming from interest rate increases, the composition of the total debt has shifted markedly toward unproductive short-term obligations, in a self-feeding spiral. Ten years ago, the short-term portion of Latin America's total foreign debt was about 11 percent of the \$42 billion total. By 1982, short-term debts had ballooned to a third of the total. In 1978, Latin American short-term obligations comprised less than 19 percent of the total. After Volcker began increasing interest rates, this proportion over the next four years increased to 21 percent, 25 percent, 28 percent, and 33 percent, respectively.

Less and less credit at increasingly higher prices was available for long-term productive projects. And as countries reached bottlenecks in the short-term commitments, they converted many of these into medium- and long-term loans, yet only for the purpose of "feeding" a debt monster. *EIR* estimates this process added between another \$20 billion to Latin America's debt bill.

The drain on these economies by systematic looting of capital padded the debt figure by at least \$103 billion since 1979. The Mexican government documented \$54 billion of this over the period of 1980-82, and Venezuela lost \$16 billion to capital flight in 1982 alone. Brazil and Argentina easily account for the bulk of the remainder.

As for trade, results indicate that although Latin America had a total trade deficit of \$40.8 billion between 1973 and 1982 in nominal terms, the real deficit was only \$12.8 billion, if that trade is measured in a volume index at constant dollars. The difference, \$28 billion, had to be financed primarily with short-term loans, thus running up the total debt by that amount.

The Middle East after Shultz's shuttle hoax

by Nora Hamerman

George Shultz may have spent all of his remaining credibility with the White House on getting a "peace settlement" in the scalding Syria-Israel confrontation in occupied Lebanon during his two-week trip to the Middle East. No sooner had he departed from the region on May 8, with a half-baked "settlement" to which one major party, Syria, had refused to agree, than the Israeli government became more defiant than ever of U.S. peace efforts, and the worst fighting in months broke out between Lebanese forces backed by the Syrian and Israeli sides. As *EIR* has been warning all along, the Shultz trip was a hoax—and Shultz is now exposed as nothing more than the dummy of the ventriloquist, Henry Kissinger.

The U.S. Secretary of State is looking more and more like his predecessor Alexander Haig one year ago when Haig was discovered double-crossing President Reagan in the Malvinas war and the Middle East, and was abruptly fired.

When Shultz left for Paris on May 8, he told the press that the burden of responsibility rests with Syria to make a simultaneous troop withdrawal with Israel, in accordance with the Israel-Lebanon accord he had just arranged. But Syria is unlikely to heed his request, for two reasons.

First, the Damascus government is concerned about secret agreements Shultz concluded with Israel which give Israel the right to re-invade Lebanon should Israel's security be threatened. This would give Israel a big military advantage over Syria whose capital, Damascus, is only 20 kilometers from the current Israel troop position in Lebanon. Secondly, the Soviet Union, which has sent more than \$2 billion in arms to Syria over recent months, is restraining Syria's President Hafez al-Assad from making any deals with the United States.

Washington insiders say Shultz gave away the proverbial kitchen sink to Israel in order to secure Prime Minister Be-

gin's "agreement in principle" to the terms of a future Israel troop withdrawal from Lebanon. Shultz is reported to have assured Israel that the embargo on the 75 F-16s, which President Reagan imposed in response to Israel's refusal to cooperate with him in his peace efforts, would be lifted. Moreover, Shultz is thought to have agreed to the reconstitution of the Strategic Memorandum of Understanding, an accord effectively making Israel an extension of the Rapid Deployment Force in the Middle East. The memorandum, which was drafted by former Secretary of State Alexander Haig and his Israeli counterpart Ariel Sharon in 1981, had been cancelled by President Reagan shortly after the Israeli annexation of the Golan Heights in December of 1981.

As Shultz was leaving Israel, Israeli Foreign Minister Shamir told the press on May 8 that the entire situation now rests with Syria and whether the Damascus regime accepts the terms of the Shultz agreement. Israel's attitude that it is now free to pursue its war aims in Lebanon was summed up by the *Washington Post*, which gloated editorially that after Shultz's shuttle mission, "in this stage at least, Israel . . . is home free. If there is a breakdown, the blame will be Syria's."

The Lavie scandal explodes

Revelations are now surfacing about the character of the military faction in Israel with whom Shultz is working.

Less than one week before his departure to the Middle East, Shultz agreed to release sensitive components for the construction of the Israeli-made Lavie jet, including alloys for the body of the jet which would make it invisible to radar. Defense Secretary Caspar Weinberger quickly intervened to block the transfer of this technology to Israel. The transfer would allow Israel to become the third largest arms exporter

within this decade.

While the Reagan White House and Caspar Weinberger's Department of Defense appear to be strongly opposed to giving Israel these technologies, Secretary of State George Shultz and the "High Frontier" faction among the U.S. military are applying enormous pressure on behalf of Israel.

Executive Intelligence Review's research division released on May 12 a limited-circulation report titled "The Military, Economic, and Political Implications of Israel's Lavie Jet Project." The report documents that the Lavie jet project is at the center of a grand strategy by Israel's current leaders to use their arms exporting activity to finance the creation of an independent weapons-manufacturing industrial base of a technological depth compatible with projected 21st-century technologies.

According to the explosive *EIR* report, the conclusions of which are circulating in Washington and other capitals, Israel's leaders plan to transform Israel from a miniature thermonuclear Sparta into the world's third largest military complex by 1990. The facts of the case add a chilling dimension to Israeli Foreign Minister Shamir's defiance of the Reagan effort to get the Israeli and Syrian armies out of Lebanon.

The controversy over the manufacture of the Lavie jet by Israel's aircraft industry is merely a smokescreen, concludes the *EIR* research team headed by editor-in-chief Criton Zoakos and counterintelligence editor Jeffrey Steinberg. The technologies obtained from the West for the manufacture of this jet are to be used for the manufacture of Intermediate Range Ballistic Missiles, *armed with nuclear warheads*.

The *EIR* report documents that Israel is in possession of a satellite system which could be used for target acquisition and guidance tasks on behalf of such an IRBM force. Israel is also shown to have atomic and thermonuclear weapons.

Since the 1978 Camp David negotiations Israel has been transformed into a military monstrosity, a society bearing no resemblance to the state created in 1948 by the survivors of the Nazi holocaust. Between the 1970s and the present, Israel's arms exports increased 16-fold, its defense budget more than doubled, and its military expenditures per inhabitant increased by over 60 percent.

The Lavie jet and IRBM programs, to a large extent, are based on a military alliance between Israel and South Africa, which was sealed with then-Prime Minister Vorster's 1976 visit to Israel. In the fall of 1982, Israel, South Africa, and Taiwan successfully tested jointly produced cruise missiles. South Africa, too, will provide part of the financing for the Lavie jet project through advance purchases of the aircraft. Unofficially, there are hopes to drive the American F-16 totally out of the market, given that the Lavie's projected price is around \$10.8 million and the F-16's over \$20 million.

In the spring of 1983, a final squeeze play was launched to force the United States to make available those aeronautical technologies essential for the manufacture of both the Lavie jet and the Lavie II IRBM missile.

The April 18, 1983 murder of the CIA's entire senior

Middle East team, with the bombing of the U.S. Embassy in Beirut, is considered to be connected with this as yet unresolved struggle.

The core team of Israeli leaders who are managing this transition of Israel to nuclear superpower status includes the key figures of the current Begin regime, with whom Shultz was working in his recent fraudulent "peace trip" to the Middle East. Among others, the *EIR* dossier names: Yuval Ne'eman, minister of science and development; Moshe Arens, minister of defense; Ezer Weizman, former defense minister; Meir Amit, former chief of the Mossad; Adolph Schwimmer, former chief of Israeli aircraft industries; Ariel Sharon, former defense minister; Chaim Herzog, president of Israel; Yitzhak Shamir, foreign minister; and Yoram Aridor, minister of the treasury.

In summarizing their conclusions, the editors of the report note that "the Lavie Plan can best be understood if one reviews the map showing Israeli nuclear delivery capability [appended to the report], in conjunction with Lord Carrington and Henry Kissinger's stated plan to reduce United States global power to 25 percent of its present extent, and to Lord Carrington and Margaret Thatcher's commitment to shape Western Europe into a 'Third Force,' theoretically aligned (but not allied) with the United States, and in practice 'equidistant' from the United States and the U.S.S.R.

"The projected 1990s nuclear delivery capacity of Israel transforms it into the sole military arbiter over the Arab world and most of black Africa. A similar circle drawn with its center at Johannesburg covers all of Africa with redundancy. Moreover, Moscow and the outskirts of Leningrad come within the range of this intended nuclear delivery capability.

"There is no doubt that the current Israeli leadership is absolutely committed to carrying out this deployment under the rubric of the Lavie Plan. The strategic implications of this commitment are impossible to comprehend from the standpoint of even the most far-fetched interpretation of Israeli national interests. Comprehensibility is attained only if Israel's commitment to the Lavie Plan is viewed from the greater context of British long-term grand strategy."

The Soviet game

Despite a flurry of public protestations against Shultz's alliance with the Israelis, the Soviet regime of Secretary General Yuri Andropov is encouraging the process of strategic breakdown in the Middle East.

Hours after Shultz's departure from Lebanon, the Soviet news agency TASS issued a statement that the "winds of war are blowing in the Middle East," and on May 9 the Soviets announced they were evacuating dependents of Soviet diplomats from Lebanon, Syria, and Jordan for the summer. These actions drew a counterattack from Shultz's State Department, which accused Moscow of having irresponsibly "chosen to play to historical fears and animosities" by keeping Syria from agreeing to the U.S. withdrawal plan.

Behind the theater, there is a plan for an early war between Syria and Israel which would have the effect of driving

the United States out of the Middle East—a perspective equally relished, although for different reasons, by both London and Moscow. A likely date for the war would be June 6, the first anniversary of Israel's last Lebanon invasion and also the anniversary of the 1967 Arab-Israeli war. Israeli Defense Minister Moshe Arens, the former ambassador to Washington, has been the most aggressive member of the Begin cabinet in feeding the atmosphere of war, and he has contacts with both the Anglo-Americans and the Soviets.

Arens's contacts with the Soviet KGB are facilitated through channels at Oxford and Cambridge Universities, the "mothers" of British intelligence agents H.R. "Kim" Philby and Donald Maclean, who defected to Russia, where Philby now heads the KGB. (It should not be forgotten, of course, that Andropov's career was built in the KGB.) Through the British universities and the New York-based Institute for East-West Studies, the Soviets have been offering to increase Soviet Jewish emigration to Israel in exchange for Israel's support for the Soviets entering Middle East negotiations.

Shortly after he was named defense minister, replacing Ariel Sharon, Arens became the first Israeli official to threaten that Israel intended to knock out Soviet-installed and -manned SAM-5 anti-aircraft missiles in Syria.

Yuri Andropov would not object to such an attack on Syria if it resulted in an expulsion of the U.S. presence in the region. This is the context in which each of the signals on the prospective war operation must be viewed.

Andropov will make up his mind whether to follow through with the war, depending on the developments around the arms control negotiations later this month between the U.S.A. and U.S.S.R. If the Western Europeans should indicate that they will break their pledges on the NATO "double track" decision to emplace Pershing missiles in Europe, and break solidarity with the United States, then Andropov will be encouraged to give a green light to the Israeli Middle East adventure.

'Reagan should halt aid unless Israel leaves Lebanon'

EIR founder Lyndon H. LaRouche, U.S. Democratic Party leader and world-renowned strategist, issued the following statement on May 10:

"I have recently been informed of the existence of a Syrian-Israeli deal, on the level of governments, to arrange the assassination of Lebanese President Amin Gemayel by June of this year, as a prelude to a Syrian-Israeli partition of

Lebanon.

"On the basis of this received information, I urge President Reagan to go on national television and to declare that if anything happens to President Gemayel, the United States will immediately send 100,000 troops to Lebanon, to force the immediate withdrawal of *all* foreign troops, both Israeli and Syrian, from Lebanese soil.

"The United States could readily accomplish this task," LaRouche emphasized, "since it would win the support of all the Lebanese population. The population of Lebanon does not want to see the partition of Lebanon, which is now looming under the Syrian-Israeli deal.

"In his television address," LaRouche continued, "the President should tell Israel that it should, without a moment's hesitation, withdraw each and every one of its troops out of Lebanon. Israel has violated all outstanding commitments with the United States by its invasion of Lebanon in the first place. If Israel doesn't withdraw, it will be evaluated to have broken its word with the United States. This is especially the case since Israel violated restrictions on American-supplied weaponry and used this weaponry to kill Lebanese civilians.

"If the Israeli troops don't leave Lebanon, President Reagan should make it clear that the United States won't give Israel one penny of aid," LaRouche advised.

The Democratic Party leader continued: "I further recommend to President Reagan, that, in the case that Israel refuses to withdraw all its troops from Lebanon, he embargo all currency exchange, credits, and financing to Israel by private parties.

"The President should not be apprehensive that the Israelis would turn to the Soviets for aid, since the Soviets would not agree to provide similar aid to Israel."

LaRouche elaborated on Israel's abuse of its "client-state" relationship to the United States: "Given the massive amount of aid Israel has received from the United States over the past years, it is true to say that Israel is a client-state, effectively a lackey of the United States, since Israel could not survive more than a matter of weeks without this massive assistance. If Israel wants to continue receiving such levels of aid, it had better act in conformity with what President Reagan says. If Israel is so interested in acting independently, let it do so: independently, but without being subsidized by the United States. Let Israel finance its own 'independence.'

"U.S. aid is contingent not only on Israel ceasing its occupation of parts of Lebanon immediately, but also ceasing all settlements on the West Bank territory.

"Frankly," LaRouche underscored, "I am fed up with bombs exploding in American embassies and killing the top intelligence officers of the United States. I'm fed up with Arab agents of the Mossad killing officials in American embassies, as was the case when Mossad double-agents entered the American embassy in Beirut April 18 under false cover and had the embassy demolished from within.

"I am also fed up with Israel's meddling in U.S. internal affairs. This meddling should stop forthwith."

Algeria promotes cooperation for security in the Maghreb

by Thierry Lalevée

When the International Energy Agency meets in Paris May 7, the Spanish energy minister will propose the study of a new gas pipeline linking Algeria to Morocco, then to Spain via the Straits of Gibraltar and ultimately to France. Regardless of whether the proposal is adopted, it bears witness to the changes in Northern Africa since the beginning of the year. For years there have been studies on creating a gas pipeline connection between Algeria and Spain, in addition to the Algerian-Italian connection via Sicily, which is to be made operational in the coming weeks and is being discussed now in Algiers by a visiting Italian delegation. But the studies led nowhere, because of the impossibility of directly connecting Algeria and Spain due to the depth of the Mediterranean.

That such ideas are being discussed again is the result of the process of reconciliation which is sweeping the entire Maghreb from Morocco to Tunisia. Key to that process was the meeting in mid-January between Morocco's King Hassan and Algerian President Chadli Benjedid—a historic meeting in light of years of cold war between the two countries, provoked by the Western Sahara crisis which began in the early 1970s. The first result was the re-opening of the borders of the two countries, allowing the reunification, for the first time in four years, of thousands of families working or living across the Moroccan-Algerian borders.

Unity of the Maghreb

Chadli went on to Tunisia to meet President Habib Bourguiba to re-establish cooperation between the two countries, ranging from banking and financial cooperation to military cooperation between the two armies in joint development projects at the borders. Hence the unity of the Maghreb is again at the top of the agenda for the three countries—an objective which has been talked about for the last 20 years, ever since independence. These were the issues discussed more concretely during the week ending April 30, when the main parties of the three countries, Algeria's FLN, Morocco's Istiqlal, and Tunisia's Destour met in Tangiers to discuss economic and political cooperation in the Maghreb.

The three countries are moving in the same direction, prompted by the same worries about economics and security. Negatively, the activities of Libya's fanatic leader, Muammar Qaddafi, have done much to foster such unity, with Libya

being totally shut out and, in the final instance, becoming the main loser in the situation. Libya's attempts to overthrow the Tunisian government two years ago; its manipulation of the Tunisian Islamic fundamentalist movement; its control over Algeria's southern nomadic tribes, the Touareg; its relationship with Algeria's exiled former president Ahmed Ben Bella, who is leading the opposition to Chadli's government; as well as the Libyan provocations against Morocco were all incentives for these three countries to join together in a de facto security pact.

Economic interdependence

But the economic issues have been crucial as well in forcing home the interdependence among the three economies. The Maghreb, like every other part of the world, has been hit by the world economic crisis, and the lowering of the prices of its main raw materials exports, oil and phosphates. These issues were addressed by the French and the Spanish governments in calling for a western Mediterranean conference of France, Spain, Italy, and the three countries of the Maghreb. Although the ill-defined proposal of the French Mitterrand government makes it unlikely such a conference will ever convene, it underlined that more than ever these countries on both banks of the sea are interdependent, in raw materials as well as in labor force.

The labor issue is especially acute in Algeria, which has some two million workers in France who are subjected, like French workers, to the threat of economic crisis and unemployment. For this reason, Algeria has been the prime mover in the operation of reconciliation. Faced with lower prices for its oil, more problems selling it, and an uncertain future for its workers in France, Algeria decided to reassess some of its policies to prevent economic pressures from turning into political problems.

In addition, the biggest threat to Algeria's domestic stability is returning workers who have been recruited to the Muslim Brotherhood while in France. Although the converts to Khomeini-style fanaticism are but a small percentage of the Algerians working abroad, their growing numbers pose a serious problem for the Algerian government.

President Chadli intends to win the Algerian FLN over to his policy of reconciliation with other regional nations at the party's June congress. Similarly, Chadli intends to pursue a policy of economic diversification, expanding economic

dealings with Europe and the United States, and move away from a too-close relationship with Algeria's old friend, the Soviet Union.

Such a policy does not mean that Algeria is renegeing on previous commitments, such as its support for the independence of Western Sahara. However, Algeria has clearly decided that the best strategy is to convince Morocco to come to the bargaining table, and to tone down military activities. Whether this has resulted in Algeria reducing its military support to the Polisario independence fighters is not known, but the psychological impact has been important enough for Qaddafi to claim he is now the only "true" friend of the Polisario, whose members he is training in Libya and deploying through the Touareg-run "Qaddafi road" along Algeria's southern border, north of Mali and Niger.

Such policies obviously do not make for unanimity among the old guard of the FLN, especially among the remaining members of the Oujda group, as the associates of the late president Houari Boumedienne are known. This group includes both those who advocate a more pro-Soviet policy, such as the followers of former party secretary-general Col. Mohammed Salah Yahyaoui, and those—mostly outside of the party structure—who are tempted to support Ben Bella's brand of Islamic opportunism.

Chadli's development program

In Chadli's favor in dealing with these factions is the effort he has made through the last four years to promote the development of the entire nation. A key focus has been southern Algeria, mostly a desert with few people and many oil fields.

After completing the Transsaharan Road, which crosses the Sahara Desert to link northern Algeria to Black Africa, Chadli has inaugurated a series of electrical power plants, which has electrified 80 percent of the southern Algeria region for the first time. Coupled with this is the creation of new cities in the region and the development of the Green Dam, a belt of trees several thousand kilometers long which blocks the desert winds. Cities previously inhabited by nomads have become industrialized, and a process of slowly resolving the crucial cultural and economic gap between the northern and southern regions of the country has begun.

Algeria requires investment to complete this program. As Algerian economic newspapers noted recently, there is no question that Algeria could follow Egypt's "open door policy" (*infatih*) and invite the same consequences, re-admitting the financiers who used these nations as centers of off-shore banking, capital flight operations, and money-laundering facilities. The Maghreb nations fought for independence against just such financial and economic exploitation.

But despite the potential risks, the Chadli government is inviting foreign companies into Algeria, and more international cooperation is to be offered—a policy coherent with regional détente.

Networks and ideology spread throughout the

by Thierry Lalevée

Sufi networks and the ideology of Sufism, as well as the more traditional networks of the Muslim Brotherhood, are an ideological control structure and an inspiration for what is known today as integrism.

The oligarchy that deploys the integrist movements internationally—an oligarchy which itself actively participates in mystical practices—is currently using Sufism as an obscurantist ideology with the aim of manipulating populations to maintain political control over them. Sufism as practiced by its believers, especially at the level of the Muslim Brotherhood, is a political doctrine whose goal is to "re-Islamize" the entirety of Spain, the south of France, and Mediterranean islands such as Sicily, Sardinia, and Malta.

As an exact ideology, Sufism was defined by Al Ghazali in the 11th and 12th centuries as a mystical and obscurantist philosophy, violently opposed to the Islamic current of thought represented by the philosopher Ibn Sina (Avicenna) during previous decades. In his works on the "Necessary Being," Ibn Sina had interpreted Islam as a religion elevating man, whose "destiny" is to perfect the work of God. Man must increase his mastery of nature, materially and spiritually, said Avicenna, changing and developing it for the benefit of all mankind, attaining in this way a higher degree of knowledge and of reason.

In his book *The Destruction of Philosophy*, Al Ghazali presented a totally different concept of man not as the master of his own destiny, but as predestined. Reason is denounced there as "atheism." The alternative to reason is mysticism, which, in Sufi sects, is the search for a direct contact with God or his representatives, such as *Kezr* or *Kidr*, and takes the form of "illuminations" often brought about by drug consumption or an artificially induced state of semi-coma, as in the case of the whirling dervishes. Sufism very early became pantheistic, adoring "Sufi saints" who had been imbued with special powers transmitted by *Kidr*.

Sufi activity has taken two forms: a life of contemplation or meditation and a life of proselytizing, involving activities

of the Sufi cult Mediterranean region

in the society at large. Although some Sufi sects have been purely meditative or monastic, most sects have functioned with a meditative center, serving as a base (*Zawya*), where the sheikh of the sect remains with his closest disciples, (*Moqaddem*), while other disciples travel around the world, either for religious or commercial activities (as in the case of the Tidjaniya sect), or for military activities (the Senussi or the Derqawis).

The Sufi sects rapidly became very well-informed intelligence networks. France used the Tidjaniya sect in the late-19th century Turkey of Sultan Abdul Hamid, who joined the sect himself in order to become closer to France. Meanwhile, Britain used the services of the Bektashi sect in the Balkans and in Turkey against the sultan—with the alliance between the Bektashi and the Freemasons later giving “power” to the “Young Turks.”

Britain adopts Sufism

Since the last quarter of the 19th century, Sufi sects have been “collected,” especially by the British, who saw in them an obscurantist movement which could be used against republican and anti-colonial movements then emerging in the Middle East. Particularly in Egypt and Iran, the British created several Islamic “reform” movements to divert attention away from British colonial rule to the question of the Islamic religion. In Egypt, Lord Cromer—later to become a member of Lord Milner’s Round Table, which gave birth to the Royal Institute for International Affairs (RIIA)—created and manipulated the infamous Jamaledin al-Afghani and his disciple Mohammed Abduh. The organization of the Muslim Brothers created in 1929 by Hassan al Banna (himself a member of the Qadiriyya) came out of the journals founded by Abduh.

A statement by the Iranian Sufi Sayyed Hosein Nasr, former director of the Pahlavi Foundation, from his *Sufi Essays*, provides an insider’s view of the situation:

The Muslims of the 19th century denounced Sufism and declared it responsible for the decadence of the Islamic world; they even considered the study of Sufism to have been inspired by the colonialists. . . . Fortunately for us, since the beginning of the last century, Sufism has undergone a number of reforms. Once again, Sufism exists as the answer to the crisis of our civilization.

Before and during World War I, Arnold Toynbee, the historian and member of the British intelligence services, supervised a “Sufi project” and other operations in the Middle East, out of which came Lawrence of Arabia and the Muslim Brotherhood. At that time, Toynbee was the international director of the Royal Institute for International Affairs (RIIA), or Chatham House. These same British networks, having created the Muslim Brothers as a force to oppose the British-supported Zionist movement (among other reasons), later spawned Adolf Hitler’s Nazi movement and the Fascism of Benito Mussolini. The alliance among Hitler, the Grand Mufti of Jerusalem, and the Muslim Brothers was designed in London.

Sufism for the 20th century

The Islamic integrism of today is the direct product of a new Sufi project elaborated immediately after World War II, in order to make Sufism more universal and operational.

This new project transformed Sufism into a universal religion, taking it beyond and subsuming the narrow structure of Islam, and including Christianity, Hinduism, and Buddhism. Although Sufism originated in Islam, Sufism was re-defined as a religion older than Islam, having existed in ancient times. Sufism was retooled to encompass psychological questions, seen from an unscientific, irrational perspective.

Sufism was thus transformed into a universal, ancient, and irrational belief structure, which would bring together a whole variety of mystical cults. The person designated by the RIIA to accomplish this mission was a certain Idris Shah, an Afghan by origin. His family had served British interests since 1840, when during the first Afghan war, Idris Shah’s grandfather, Nawab Saiyed Amjad Ali Shah, was placed upon the Afghan throne by British troops. Iqbal Ali Shah, Idris’s father, was a disciple of the Qadiriyya sect who became famous for his “discovery” of the Tomb of Eve in Saudi Arabia. Among his many writings, he published a book with the revealing title *How to Control the Spirits of Asia*.

Under the control of the RIIA, Idris Shah turned out a stream of books from the middle of the 1950s on. In 1956, his *Oriental Magic* was published, describing witchcraft in Europe and the East. The book was translated into French and distributed in France by the Institute of Anthropology, directed at that time by Louis Marin, a profiler of witch cults.

Idris Shah’s second book, published one year later, *The Book of Books*, consisted of a preface of two lines, an intro-

The integrist movement for a new dark age

The integrist movements threatening national governments in the Mediterranean region, in Central America, and other international hot-spots are not spontaneous spiritual movements; they are the results of decades of developing networks, constructing ideologies, and fostering the use of mind-destroying drugs to build a force to be deployed in just such a period of economic crisis and threatened collapse of national institutions as the present. Integrist movements are deployed, as was the Ayatollah Khomeini's force in Iran, to take over secular governments and control entire nations through a particular irrational religious belief structure.

These movements, whether ostensibly Christian, Jewish, or Muslim, are totally opposed to technological progress, and to the existence of nation-states. Indeed, integrism reverts to a concept of man that denies the conception on which Western civilization has been built, common to all three of the great religions, expressed in the command to "Be fruitful and multiply, replenish and subdue the earth," and seeks to destroy the modern nation-states that have been the foundation of man's economic, scientific, and political progress.

Integrism is a religious project and a very precise political project of the international oligarchy whose political power and vast private fortunes, or *fondi*, are at stake in the current world financial crisis. Civil-religious wars are engulfing several nations in Central America already and threatening Algeria, Morocco, Egypt, Saudi Arabia, and France and Spain.

The nations of North Africa, or the Maghreb, are particularly vulnerable. Radicalization of relations between immigrant laborers in France and French workers, which is growing (see article, p. 43), could push the French workers to either Christian fundamentalism or towards fascist movements like the National Front of Jean-Marie Le Pen. Islamic and Christian integrists in France and Spain publicly oppose each other in a deliberate strategy of creating political and religious tension.

The fundamentalist cults are tied directly to both the international drug- and weapons-runners, but also to the "Europe of the regions" terrorist operations, whose purpose is to subdivide European nations into a group of

tiny—and powerless—provinces along ostensibly ethnic lines.

A single network, operating throughout the region of the western Mediterranean, now controls fundamentalist activity of all kinds in the region. This network adapts its activities to local particularities, but all extremist groups are coordinated from the same center. The two main groups, the Sufi networks and the Ben Bella network and fundamentalists in France and in the Maghreb, are run from above by the Nazi International.

Decisions are taken to activate or re-create certain ideologies as a political operation only at the very highest levels of these networks: by the British Royal Institute for International Affairs (RIIA), by the directors of the International Monetary Fund and of the world Malthusian movement that created the Club of Rome. On a lower level, there are the figures deployed to make the new ideology concrete, including Idris Shah, the "founder" of 20th-century Sufism. The lowest level includes those whose task is to apply the new ideology, use it to proselytize, and be involved in the daily activities of such groups as the Movement for the Return of Islam in Spain.

In Europe, fundamentalism is led by the faction of the Blue Army of Fatima of the former Portuguese royal family, the Braganzas, and the "Tradition, Family and Property" (TPF) in Brazil, groups involved in the two assassination attempts against Pope John Paul II.

In France, Prof. Jerome LeJeune, a close associate of the TPF organization in France and a member of the World Federation of Doctors for Life, an organization committed to "re-establishing the kingdom of God on earth" based on "genetic heritage," leads the Christian fundamentalist movement with historian Pierre Chaunu, a member of the political-mystical group called "Maaistra." Chaunu did not hesitate to play the card of integrism when he recently launched a call for "no more mosques" in France.

The Maaistra was created in 1978 by Olivier Giscard d'Estaing, the chairman of the April 29 Paris conference on "Islam and the West" patronized by Prince Mohammed Al Faisal of the Dar al-Maal-al Islami Bank, the financier of Islamic fundamentalist movements in the Middle East, Europe, and the United States.

duction of nine pages, and no less than 236 blank pages! He immediately received profuse praise from the British media, from the *Sunday Telegraph* to the BBC. *The Sufis*, published later, became the bible of the current Sufi movements.

In 1965, Idris Shah was named director of Sufi studies at Sussex University, a branch of the Tavistock Institute of London, created at the end of the 1930s as the psychological warfare center for the British intelligence services. He was also named director of studies at the Institute of Cultural Research in London. A few years later, the British and American journals *New Statesman*, *New Society*, and *The American Scholar* ran front-page stories on "The Revolution of Idris Shah."

From this period on, the "teachings" of Idris Shah were incorporated into Rand Corporation study programs and projects by a certain J. Kermish and were used in training courses given to American intelligence officers and in universities generally.

In 1972, Idris Shah was also named international director of the Ecumenical Council of Churches in Geneva. He had previously created the World Sufi Organisation and the Society of Sufi Studies from his retreat in the cobblestone village of Tunbridge Wells south of London.

'In Honor of Idris Shah'

In order to better understand the "Idris Shah phenomenon," it is necessary to examine a seminar organized in London in 1972, called "In Honor of Idris Shah." There could be found the old British colonial establishment for Middle East affairs, the Anglican religious establishment, and the establishment of so-called orientalist.

The individuals attending included: Sir John Glubb Pasha, former commander of the Arab Legion in Jordan following World War II and founding member of the Anglo-Arab Association of the CAAU (the Council for Anglo-Arab Understanding); Sir Edwin Chapman-Andrew, Knight of the Order of St. John, president of the Royal Central Asian Society and of the Committee for Trade with the Middle East, and former ambassador in Khartoum and Beirut; and L. F. Rushbrook-Williams, an old friend of the Idris Shah family, director of the Middle Eastern services for the BBC, and "adviser" to royal families in the Middle East.

The Reverend Sidney Spencer from the University of Oxford attended the seminar, representing the religious establishment. The Reverend Spencer was then head of the department of comparative religion and publisher of *The Magazine for the Study of Comparative Religions*, one of the most important centers of "universal Sufism." From the orientalist, there was A. K. Julius Germanus, a member of the Committee of Hungarian Orientalists and member of the Hungarian Parliament.

The seminar unanimously stressed the importance of the works of Idris Shah, for the reasons enunciated by Glubb Pasha: "The public believes that physics can solve human

problems, and that the human spirit can decide the future of man. We are grateful to Idris Shah for having refuted this lie."

Idris Shah's networks

Idris Shah's activities have served as a cover for the formation of numbers of secret organizations in Europe, organizations which promote drug use and Malthusian ideas.

The World Sufi Organisation, created in the mid-1960s, has as members both Johannes Witteveen, former head of the International Monetary Fund (IMF), and Alexander King, a founding member of the Malthusian Club of Rome and the former director of the Science and Technology Department of the Organization for Economic Cooperation and Development (OECD) in Paris.

The World Sufi Organisation is made up of small groups of between 10 and 20 people, particularly "intellectuals." Inquiries about the Munich organization have revealed that all its members use drugs—hashish, cocaine, and heroin—as a routine part of "meditation."

The Society of Sufi Studies, also known as the Darqawi Institute, in Norwich, England, incorporates a "Society of Islamic Studies," with which a certain Fritjhoff Schuon works. Schuon, a native of Alsace, now lives in Lausanne, Switzerland, the world headquarters of the Nazi International. He is a leader of the Schadiliyya sect, active in Switzerland, Spain, Morocco, and Algeria, especially in Mostaganem, where according to some reports, the sect deals in drugs and arms.

The Darqawi Institute is the center of research for the World of Islam Festival Trust, set up in London in 1976, and headed by Sir Harold Beeley, a former head of the British Secret Services during World War II. Beeley was a founding member of the Council for Anglo-Arab Understanding (CAAU). The vice-president of the trust is the United Arab Emirates ambassador to London, Mohammed Al Tajir. Al Tajir, who owns a private bank in the Caribbean, has been known for some years as one of the main financiers of the fundamentalist Islamic movements based in Britain and elsewhere, especially the London-based Islamic Council of Europe led by Salem Azzam.

Al Tajir is an associate of the Galadari family of the Union of Middle East Banks in Dubai, and he has become one of the key intermediaries for arms sales to Khomeini's Iran. One of his British partners in these arms deals, Ian Smalley, was arrested last January in Dallas, Texas by the American authorities.

Under Al Tajir's patronage, the World of Islam Festival Trust became a founding member of Islam and the West, an organization created in October 1979 in Geneva. Islam and the West brings together the anti-science networks of Alexander King and Aurelio Peccei's Club of Rome, the British "Middle East" establishment represented by Sir Harold Beeley, and the Muslim Brotherhood networks around Ma'arouf

Dawalibi of the World Muslim Congress.

The Magazine for the Study of Comparative Religions is directly linked to the World of Islam Festival Trust. Published in Oxford, it preaches the Sufism of René Guenon, a French Sufi who died in Cairo at the beginning of the 1950s. Editors and regular contributors to the magazine include Fritjhoff Schoun, Titus Bukhardt (who is also Swiss Sufi), Martin Links, an English Sufi and director of the National Library in London, and Rama Coomaraswamy, a Hindu convert to Catholicism who is the official representative of the fundamentalist Christian current of Monsignor Lefebvre in the United States.

The French disciples of this magazine are to be found in the mysticism review *Atlantis*, founded during the 1920s by Marechal Lyautey, then governor of Morocco. Its representatives today are Robert Amadou, Barrucand, and Raymond Abellio. They operate through the Omega association, which is the French branch of the Sufi Order in the West, set up in 1913 by an Indian Sufi from the Schisti sect and now led by a certain Pir Velayat. Velayat organized a conference in Paris at the end of March with Nadjmuddin Bammate, an Afghan who is a former director general of UNESCO and one of the controllers and manipulators of former Algerian president and Hitler admirer Ahmed Ben Bella. Bammate arranged Ben Bella's October 1981 trip to the United States, where he was a featured speaker at a major conference of the Muslim Brotherhood at the Rothko Chapel in Houston. Conference participants planned the spread of Islamic fundamentalism throughout the Arab world, some going so far to praise the recent assassination of Egypt's Anwar Sadat.

This seminar, held March 18-19, was organized by the "Spiritual Colloquium for Peace—XIX Session" in the context of a "Conference on Sufism" which took place on March 20 at UNESCO. Bammate spoke on March 19 on "Islam and Liberation" and on March 20 on "The Sufis or the Sons of the Moment." Pir Velayat Inayat Khan talked about the "New Ways of Thinking" and later about "Ibn Arabi." Other people attending included Michel Cazenave of France Culture, the organizer of the Cordoba conference in 1979 on "Science and Conscience," Monsignor Germain of the Orthodox Church in France, and the director of the Tibetan Center of Scotland.

Around this magazine is also the Chamarande circle, a research seminar on Sufism held during the summer and on weekends, where Abdel Khader Rahmani speaks regularly. Rahmani is the director of the Academy of Berber Studies, of the International Third World College, and of the International Agency for Culture. A few years ago, Rahmani created the Alliance for the Union of Minorities with Jacques Attali, now special adviser to President François Mitterrand, who claims that euthanasia will be policy in all future societies. The Alliance for the Union of Minorities is part of the "Europe of the Regions" movement attempting to subdivide nations into feudal entities along any and all ethnic and religious lines.

Sufism and separatism

The direct link between Sufism and present-day separatist movements is ideological as well as organizational. The early writings of Idris Shah elaborate the ideology of separatism. In *Oriental Magic*, he cites magical practices as the basis for defining particular cultures in different European regions, including the Basque, Breton, Catalán, and Berber cultures. The Academy of Berber Studies now publishes the magazine called *Amazigh*, which mixes real history with the mystical stories of the goddess Athena, of Atlas, Heracles, and other mythical figures.

The link between Sufism and separatism is particularly visible in the organization called CIEMEN (Center of Studies of Ethnic Minorities), which has centers in Barcelona, Perpignan, the Abbey of St. Michael of Cuxa on the French-Spanish border, the faculty of philology at the University of Milan, and in Sicily. The Alliance for the Union of Minorities coordinates its activities with Marcel Texier, the representative of CIEMEN in Paris, and former president of the International Association for the Defense of Threatened Cultures and Languages, which publishes the review *Ethnica* in Milan.

Behind this kind of "cultural" activity are activities of a more military kind. The Abbey of St. Michael of Cuxa, led by Father Aurilli Argemi, has served as a safehouse for the terrorists of GRAPO and GARI. The kidnapping of the Paris director of the Bank of Bilbao was planned in the abbey itself.

In Spain, CIEMEN collaborates with the Catalán Liberation front, a split-off from the Catalán Socialist Party, itself a split-off from the Spanish Socialist Workers Party (PSOE). These two organizations work closely with the Movement for the Return of Islam to Spain, created two years ago in Cordoba by Ali Kettani, of Dawalibi's World Muslim Congress.

Kettani is also the director of the Islamic Foundation for Science and Technology, affiliated with Alexander King's IFIAS, and he also heads the Institute for Islamic Minorities. It was in this last capacity that he created a subversive movement in Spain, provoking riots in January 1982 when he led a Muslim demonstration which attempted to seize the Santa Clara Cathedral in Cordoba, in order to transform it into a mosque. The Communist mayor of the city had apparently agreed to this change, in return for Kettani's financing of municipal activities.

When Kettani's movement was expelled from Cordoba, it moved to Grenada where it collaborates with the Swiss Sufi sect of Fritjhoff Schoun. Along with the Movement for the Return of Islam (MRI), the Islamic Centers and Spanish Muslim Movement operate out of Madrid, Barcelona, Las Palmas, Valencia, and Malaga. These are the centers which welcomed Ben Bella and Roger Garaudy in fall 1981. Spain, and Barcelona in particular, Ben Bella admitted in February, is one of his most important sources of funds. He has received many a diamond necklace from there.

(To be continued.)

Political underworld at work: KGB in France

by Laurent Murawiec

Fifty years ago there erupted in Paris the “Affaire Fantomas,” as the French government unmasked and mopped up a huge espionage network set up in France through the nest of the so-called “workers’ correspondents” of the Communist Party: a major Comintern (Communist International) operation had been blown. One member of the Communists’ political bureau named Jacques Duclos had to flee the country precipitously—to become a member of the executive of the Comintern. Duclos was never prosecuted thereafter.

A few months after the last “Fantomas” trial had occurred, the Nazi takeover in Germany forced the Comintern to transfer its European operational headquarters from the Thaelmann-Haus in Berlin to Paris. This stationing was never challenged in later decades—until 47 Soviet “diplomats” and others were kindly requested to leave French territory a few weeks ago, after the French intelligence services briefed President Mitterrand that Soviet espionage, recruitment, and other activities, including the nastiest sort, had decidedly passed all permissible limits.

But in the intervening 50 years, the freedom of action enjoyed in France by Soviet secret services gave the Moscow center an unrivaled operational base.

Espionage, however, is not the major issue. In truth, espionage was the least important of the “activities” pursued by Comintern agents. *Political intelligence* was the name of the far more important game they played, and one never reaching the surface of the political theater played for the vast majority of citizens. The classic example is the en masse entry of several tens of thousands of German Communists into the Nazi Party and the SA and SS as early as the 1920s, on orders of their party, the KPD. Those who survived the later events were to be found in East German intelligence after the war—and in many other services. This kind of dirty, immoral business in the underworld of politics was also at work in France.

The recent death of underground-politician Georges Albertini and his career will substantiate our contention.

Socialism and Nazism

A name that rarely hit the headlines in France; let alone abroad, Georges Albertini was however one of the deeper and more powerful influences at play in French politics. An orthodox socialist until 1934, the young man drifted out of the French Socialist Party along with his mentor, top Socialist leader Marcel Déat, who was captured by the martial virtues of a national-socialist order as unleashed beyond the Rhine in 1933 and in Italy under Mussolini. Albertini became a prominent figure in the Paris of wartime “collaboration” (betrayal on behalf of the Nazi occupiers), and the secretary general of the party created in 1940 by Déat, the RNP. That party had made it a policy to send the enemies of the Nazis, Resistance fighters, Jews, etc., over to the offices of the Gestapo, the Nazi SA, and thence to their “final solution.” Such were the requirements of the “New Order.” Some activities of the RNP also involved the Anglophile aristocrats of the Abwehr, the German military intelligence service of Admiral Canaris.

In wartime Paris under the swastika, Albertini’s closest associates aside from Déat were Hubert Lagardelle, a leading doctrinaire in the “revolutionary syndicalist” or “anarcho-syndicalist” wing of the labor movement, who had turned up in Rome at the French Embassy in the 1920s and 1930s to become an important adviser of Benito Mussolini; Vichy regime “technocratic” Minister Bichelonne, a close associate of Nazi economic czar Albert Speer, and of the Banque Worms, the so-called “synarchist” bank; and Jacques Benoist-Méchin, one of the leading Abwehr operatives in France since the 1930s.

Even though French justice sentenced him to hard labor for five years in 1945, Albertini was fished out of it through special presidential amnesty bestowed by (Socialist) President Vincent Auriol before mid-term. Albertini was then able to resume his activities in that half-way house between Socialism and Nazism—demonstrating that the pedantic distinctions of the left-to-right shades of political opinion merely reveal the lying idiocy of the authors of academic textbooks. Albertini became the chief political adviser of the Banque Worms, one of the leading Anglo-French haute finance institutions, and from that vantage point, built a powerful political-intelligence machine that spanned the totality of the political spectrum. For Georges Albertini was a great Russian studies expert, a specialist of labor and communist affairs, an art he had learned with his master and friend Boris Souvarine.

A well-connected Bolshevik makes it

A founder of the French Communist Party, Boris Souvarine, born in France of Russian émigrés 95 years ago, represented the PCF at the leadership of the Comintern in 1923. His wartime and post-1918 actions on behalf of splitting the French Socialist Party in order to join the Communists had given him an enormous following in the party,

which he retained as an oppositionist to the official party line, and then a dissident who was “expelled” in 1924. Souvarine had kept, in Moscow and other capitals as well as in the PCF, a multitude of contacts and networks which he went on using, long after his official parting. As a result, the endless string of small “dissident” and “opposition-Communist” grouplets he busied himself creating for several decades were a privileged entry and contact point for disappointed communists as well as Comintern operatives, playing more or less sincerely the part of the “disaffected dissident,” or plainly playing interface with Western intelligence services.

In 1929, Souvarine published the first biography of Stalin on record, which not only established his credentials as a leading “Kremlin watcher,” but also testified to the wealth of contacts he had maintained beyond what was not yet known as the Iron Curtain.

In 1935, Souvarine was able to establish an institute of his own, the Institute for Social History, which was founded as the French subsidiary of the Dutch-based international clearing house for Fabian, social-democratic operations, the International Institute for Social History of The Hague. Souvarine’s professed violent opposition to Stalin—since he was a “democratic communist”—was no hindrance to working closely, for the establishment and development of the institute, with one Anatole de Monzie, one of France’s prominent Masonic politicians of the Parti Radical, the Third Republic’s leading left-of-center political force. De Monzie in 1924 had led the organizing for the New Franco-Russian Friendship Society, which paved the way for diplomatic recognition of Soviet Russia by France, and was Moscow’s key man in the pre-war political landscape. So much so, in fact, that in 1940, after the collapse of France and the Nazi takeover of Paris, the leaders of the French CP contacted De Monzie to request permission from German occupation authorities to publish the party’s daily *l’Humanité*!

Souvarine’s institute was a curious mixed bag of old Mensheviks, some of whom had kept their links to Mother Russia (notably among those who had peacefully passed from the Czarist Okhrana secret police to Felix Dzerzhinsky’s Cheka), pro-appeasement and labor leaders who favored the Munich surrender, Mussolinian social-syndicalists, and in general a motley fauna that tirelessly compiled and increased a mass of dossiers and files—that precious commodity that creates the basis for intensive blackmail and cover influence. Souvarine’s influence grew among the leadership layers of the Third Republic, and, no less significantly, among intellectual layers that had discovered Marxism but demanded a “non-dogmatic” brand.

The AFL-CIO French connection

Some time was necessary to rebuild Souvarine’s intelligence outfit after the war, but help came flowing from labor and left-wing liberal circles; the main input came from the European office of the AFL-CIO and its leader Irving Brown, whose principal activity at the time was to split European

labor unions and establish clandestine intelligence units run through the resources of those unions. Brown’s collaboration with the notorious Guerini brothers of Marseilles brought him into intimacy with the narcotics operation known as the French Connection—he had already used it to emplace as mayor of Marseilles one Gaston Defferre, who acquired rather unbecoming nicknames from the U.S. Drug Enforcement Agency and is today France’s interior minister.

Brown was the Paris liaison of Jay Lovestone, former head of the Communist Party U.S.A., who had gone to Moscow summoned by Stalin in 1928 and been given the mission of establishing Comintern secret services in the western hemisphere, then, curiously, was expelled from the party just one year later—the best possible cover to undertake a career that has not yet come to an end. Lovestone and Brown were heavily involved in Allen Dulles’s “captive nations” operations which were, to a fair extent, conduited through Paris—the Souvarine-Albertini outfit—while Lovestone was still reportedly the KGB’s point man for the Americas as late as the mid-1950s!

A ferocious anti-communist is the best possible agent of disinformation to get anti-totalitarians to swallow the most absurd lies. Lovestone and Souvarine shared the same ideology learned from their mentor Nikolai Bukharin, one of the top leaders of the Soviet Communist Party from 1917 through 1935. Bukharin had led the fight inside the CPSU against policies of industrialization and urbanization, arguing on behalf of a “snail’s pace communism” that would leave untouched Mother Russia’s vast expanses of backward rural land and protect the peasantry from the dangers of modern life, so that Russia would remain what it had primarily been, a ready supplier of raw materials, from petroleum to grain, for Western financiers and commodity traders.

The extraordinary influence gained by former convict Albertini and Souvarine and their ring of semi-secret outfits in the postwar period is all the more shocking. The *Est-Ouest* journal and the others became secret power centers that penetrated the deepest recesses of French politics and abroad (*Est-Ouest* also had editions published in Rome and in Caracas, Venezuela). Their reports, their files, their “expertise,” their advice, were more than welcome to French Socialist Party chief Guy Mollet (who ran the party from 1946 through 1969); to Radical Party leader and Prime Minister Felix Gaillard; the Christian Democrats with Georges Bidault, who later became the head of the political branch of the OAS, the fascist terrorist organizations that tried repeatedly to overthrow and assassinate Charles de Gaulle; as well as to labor leaders in the (AFL-CIO-funded) Force Ouvrière union. It was used, too, by leaders even of De Gaulle’s party (although the general loathed Albertini and would have nothing to do with him), including writer André Malraux, Interior Minister Roger Frey, and the latter’s very close friend and controller, attorney Michard-Pelissier, and even Georges Pompidou, later president of France, who was usually better advised than to accept wisdom from an old Nazi.

May '68 or February '34?

The "State Department Socialists" hope to use the growing national upheaval to win control of Mitterrand.

Student strikes in the Paris universities and key provincial towns as well as violent peasant riots and angry demonstrations by small businessmen have placed the following question on everyone's mind in France: Will there be a new May 1968, in reverse?

Social unrest is again originating from a radicalized student milieu and joining up with discontent in other sectors, due to economic crisis. "In reverse" refers, of course, to the fact that the upheavals this time are instigated by the right against a left-wing government.

Sources say that through François de Grossouvre, a troubleshooter for the President, the Elysée is trying to abort the "May '68 in reverse" from the inside, to the point of paying some Trotskyists as provocateurs.

By conceding to certain sectoral demands, the government is buying time but is not solving the underlying economic problems, and the chaos is likely to re-occur this fall. We may be heading for a repeat of the February 1934 situation in France, when right-wing populist rioters gained the support of the Communists in the streets.

French farmers all over the country are up in arms: "Buy French, Eat French" is their slogan. And in Paris, a commando of some dozen shopkeepers unloaded 200 kilos of meat bits in the Latour-Maubourg office of the Centre d'Etudes des Revenus et des Coûts, in reaction to "slanders" against their populist trade union, the CID-UNATI, led by Gerard Nicoud.

To find the reasons for the destabilization, one must look beyond the peasants' rage over pork imports or the latest bomb explosions. A battery of forces abroad, ranging from the U.S. State Department and the British Foreign Office to the Western European peace movement and the Nazi International of Swiss banker François Genoud, wants to either bring down or totally capture President Mitterrand.

The Mitterrand government's potential for collaborating with the Reagan administration to stabilize "hot spots" in the Mideast and Africa, Mitterrand's openness to the new strategic defense policy announced by Reagan on March 23, and the possibility that Mitterrand will launch an effort to transfer technology to the underdeveloped sector—all this sticks in the throat of both the "right" and the "left."

When socialist Jean-Pierre Cot, representing his party's anti-growth environmentalist faction, visited New York last month, he predicted that "chaos and social unrest" would force Mitterrand to reverse gears and push for disarmament. Cot's associate Alain Touraine wrote in the *Quotidien de Paris* that Mitterrand should dump the Communists by autumn and boost the corporatist Cot faction, headed by Michel Rocard.

Certain figures in the opposition, such as Charles Pasqua of the Gaullist RPR, think that by stirring up turmoil, they can move in as President Mitterrand's power is weakened.

What is more likely to occur in the immediate future is the governing of France by a center-left coalition, in which the Socialists but not the Communists would remain. But in neither of these political combinations is anyone coming up with an industrial recovery program for France.

The insurgencies against Mitterrand had been building for at least a year. Then, in the space of about eight weeks, the "May '68 in reserve" scenario started to go into motion.

Student agitation, often with the support of the professors, was stirred against the new Savary university education reform, named after the Socialist Education Minister. The reform concerned examination procedures designed to weed out students before they arrive onto an ever-shrinking job market. Extreme-right wing elements of the Le Pen party (PFN) have already infiltrated several student groups and are prepared to radicalize the atmosphere even further. Law students rioting in the street are screaming that they want a king—the Orleanist Comte de Paris.

The left, at the campuses it controls, faced a *fait accompli* and felt themselves forced to join in the action. The Communist Party (PCF) is divided: elements controlled by Soviet party chief Andropov are ready to help bring down the government, in which their party is a junior partner, while others disagree.

The attitude of the PCF will do a lot to determine whether the trouble grows. June 19 will be the day to watch. The PCF-controlled peace movement has called a national march for peace, to which they have, among others, invited the West German "greenies." The turnout will be a key indicator as to the Communists' role this fall when the Pershing II and cruise missiles are due to arrive in Europe.

Terrorism's new 'social relevance'

Contrary to many reports, the terrorism monster is alive and active, but now with a class-conscious snarl.

On May 3 a terrorist commando tried to kill Prof. Gino Giugni in Rome. Two terrorists fired six bullets at him. Giugni was not killed.

The attempt on the life of Giugni is not the "last gasp" of terrorism here, as some claim. On the contrary, it is the beginning of a new wave of terrorist acts that coincides with a planned coup against the Italian state, a coup openly plotted by the Trilateral Commission and applauded by the Soviet KGB.

The terrorists' new tack can be seen in the announcement made by the "Communist Fighting Party" in taking credit for the attack by two gunmen in Rome. The group said that it had "killed" Giugni because he represented capitalism's efforts to restructure wage structures against the working class.

The Giugni shooting is a fulfillment of the new strategy announced by jailed Brigades leader Renato Curcio, who announced from Palmi prison some months ago that the armed party of the Brigades had come to an end, and that the struggle must now turn to "debates over social and economic problems, problems felt by the masses."

Curcio's theme was taken up by "repentant" terrorist Antonio Savasta, who during the Red Brigades trial at Ancona March 23 declared that the armed struggle is not "at an end; it will begin again" in a new form, thanks to the prison movement launched by Curcio.

The Milan trial of terrorist Rosso-Barbone was particularly bizarre. When the judges questioned the terrorists on the coup, the latter broke their silence as if obeying an order, and began to speak—to explain that terrorism had taken a wrong turn in 1979 when the movement became "criminalized" and that therefore it was necessary to turn to social struggle, to the tasks and the road of the masses. This is the gist of the testimony at Milan of Giuseppe Memeo, Corrado Alunni, and other assassins.

The Rome Red Brigades section contains 50 to 60 members. The new recruits are for the most part very young, investigators report, and receive their new terrorist strategy from prison, from the historic nucleus of the Red Brigades headed by Moretti (convicted in the kidnaping of former Prime Minister Aldo Moro) and Curcio. Unemployment and social crises are the basis of recruitment.

"The signals that we have picked up make us think that a new outbreak of terrorism will come in the near future, perhaps after the summer . . . We hoped until recently that the Red Brigades had not rebuilt the necessary force to shed blood. . . ." is the despairing comment of some police spokesmen. The pessimism comes from the discovery that the Italian political configuration is no longer favorable to repressing terrorism. Most importantly, the Italian Communist Party shows no intention of seriously opposing the new wave.

The existing coalition government, in which the Christian Democrats are, as they have been for 35 years, the largest political force, has been discredited because it has swallowed huge doses of austerity prescribed by the "technocrats" allied with the Trilaterals and the International Monetary Fund.

The Communists imagine that a replay of 1968 "wild in the streets" activity would perhaps not hurt their chances at the polls in June. They have been supporting the rock-concert "peace" organizing of reputed Mossad agent David Zard, which has resulted in frequent clashes between inflamed youth and the police. Along with increased support for anti-war disruptions against the American Euromissile deployment, the PCI has recently been unusually tolerant of the Trotskyist and other far-left components of the terrorist milieu who used to be policed by the communist trade unionists and kept at a distance from their demonstrations.

The Red Brigades' Professor Toni Negri has seized the opportunity to put the formerly tough anti-terrorist PCI on the defensive. "You are responsible . . . When in 1979 you made us off limits politically, terrorism became the new reality," Negri cried during the April 7 Red Brigades trials.

While the Communist Party thinks it may get into the government, it is actually aiding the programmed coup and bloodbath. At this moment, Italy's officially neo-fascist party, the MSI, and the "black ultras" (extreme right-wing networks) are reorganizing with the help of those CIA circles tied to Henry Kissinger and former CIA Italy station chief James Jesus Angleton. They are preparing to oppose a new "1968" with acts of violence and terrorism that will climax in a civil war engulfing Italy.

Iranian 'arc of crisis' again

Will Great Britain manipulate the United States into a superpower showdown in the Gulf?

A crisis is being orchestrated by the British and the Soviets over Iran, over which the two traditionally have exerted joint control. Anti-Soviet measures taken by the Iranian fundamentalist regime could well lead to a staged provocation against the Soviets, such as the seizing of their embassy in Tehran. Such an incident would be followed by a massive Soviet response—most probably the invasion of the northern part of Iran. This, in turn, would lead to a superpower confrontation, the United States lining up to defend the Khomeini butchers.

Soviet leader Yuri Andropov stressed in his recent interview with the West German magazine *Der Spiegel* that the Soviets regard areas along their perimeter (i.e. Iran, with which they share a long border) as important to their security.

During the Second World War, Soviet forces invaded Iran and created a "Republic of Azerbaijan," uniting a northern region of Iran with the Soviet region of Azerbaijan. Following the Soviet withdrawal in 1946, a treaty gave the Soviets the right to move back into northern Iran at any time they find their security threatened.

Reports during early May have spoken of large-scale Soviet preparations for such a move. Soviet Politburo member Aliyev has twice in the past few months called for the re-creation of a "United Azerbaijan."

At the same time, an anti-Soviet campaign has been orchestrated in Iran. First 18 diplomats were expelled from the Soviet embassy, then another

37 summarily set back to Moscow. The Iranian Communist Party, the Tudeh, has been banned, and its leaders, members and supporters arrested. Sources report that more than 5,000 people have been imprisoned during the past few days in a holy war against supporters of the banned party.

Some observers in the West have hailed these moves, viewing them as part of an overall "confrontation with the Soviets," following similar expulsions of Soviet diplomats from France and Britain. High-level Iranian exile sources in Europe warn, however, that "It is the British who have orchestrated this whole affair to trick President Reagan, to make him believe that . . . the Americans can count on Islamic fundamentalism as their ally against the Soviets."

EIR founder Lyndon LaRouche has said that a world crisis may soon be triggered in Iran if fundamentalist fanatics step up their moves against the Soviets, and if "Islamic students" seize the Soviet embassy. In that case, he said, the Soviet Union would give an ultimatum, and then move in.

In a statement to *EIR*, indicating that the British are expecting precisely such a move, a senior British official remarked that "If there were any kind of hostage-taking, the Soviets would react extremely strongly. It would be comparable to the U.S. embassy being taken in Mexico City." Iranian exile sources and strategists in Europe concur that the situation in Iran is "potentially far more explosive" than the Syrian-Israeli situation, as a British

think tanker commented.

The sudden moves by the faction currently running Iran, an extreme fundamentalist group known as the Hojatoi, are said to have been prompted by London. Soviet defector Kuzichkin, who fled to London from his post in Iran, had a full list of Tudeh Party and KGB infiltrators into the leadership of the Iranian regime.

Iranian Foreign Minister Velioti and the speaker of the Iranian parliament, Hashemi Rafsanjani, made a secret trip to London in February, where they were handed the list.

The Tudeh Party has long been an asset of British intelligence; indeed, it has gained the nickname "Petro-Tudeh," because its funding has come primarily from the British oil companies in Iran.

The Hojatoi group of ayatollahs is reported to want to end the war with Iraq in order to be able to move the Iranian army onto the border with Afghanistan, where Soviet forces have recently made incursions into Iranian territory in "hot pursuit" of Afghan rebel forces. At the beginning of May, the Iranian regime for the first time officially announced its support for the Afghan mujaheddin rebels. The Hojatoi group is led by land-owning mullah oligarchs from the region bordering Afghanistan.

There are reports that some U.S. firms have taken the "anti-communist" bait. Several have started moving back into Iran, even reportedly scaling down operations in Saudi Arabia to build up their Iran operations. An Iranian exile source in the United States commented that the recent multibillion-dollar deal between Iran and Turkey was a "window" for Western nations to resume large-scale trading in Iran—all in the name of stopping the communists from taking over the country.

Who runs the PAN Party?

For many, the question was answered in a secret meeting between PAN leaders and U.S. consular officials in Sonora.

A national scandal erupted here after journalists and federal investigators uncovered a secret meeting between the high command of the National Action Party (PAN) and U.S. consulate and embassy personnel in Sonora.

The PAN, which the State Department describes to U.S. callers as "like the Republican Party in the United States," has been in court for running death squads, promotes Protestant fundamentalist cults, protects the dope trade, and is fueling a form of Sonoran separatism that could lead to the state's secession from the country.

The meeting that has shocked the nation took place April 22, four days after U.S. Secretary of State George Shultz came here for bilateral talks.

One question raised by the May 6 discovery of the PAN-U.S. consulate meeting: "Is the Kissinger-controlled U.S. State Department trying to destroy President Reagan's policy toward Mexico?" PAN deputy Andrés Cáceres went on record May 10 with an attack on Mexico's anti-drug program, Operation Condor, for allegedly "intimidating peasants" who are opposed to the government. This is the drugrunners' line to stop the highly effective program.

The Sonoran participants in the clandestine meeting included Archbishop Carlos Quintero Arce, the most powerful church figure in the north of the country; Javier Castelo Parada, a leader of the local oligarchy, known as the "Sonoran Onassis;" PAN gubernatorial hopeful Adalberto Rosas

López; and Sonoran PAN president Carlos Amaya Rivera. All are leading a mass movement to wrest control of the state from the federal government (which they label "socialist") and make the state's economy the fiefdom of local oligarchs.

The meeting in the Sonoran capital, Hermosillo, was organized by the U.S. consul there, Antonio Arredondo. It featured the Deputy Chief of Mission from the U.S. embassy in Mexico City, George High, who was accompanied by five official and unofficial advisers, according to reports in the press: Jack Zagguri, Willy Wright, Jane Thatcher, Norman Levi, and Francisco Rojas Tavares—all U.S. citizens. Arredondo failed to inform the Mexican government of the meeting.

After reviewing the information, a local leader of the PRI national government party, Héctor Manuel Parra, was emphatic about the treasonous nature of the PAN. "The people don't have any more doubts about who the PAN's bosses are," he said.

Last summer the *EIR* issued an exhaustive report which concluded that the PAN is being deployed against the Mexican government in coordination with U.S. diplomatic personnel in the country. That conclusion is now confirmed.

What role U.S. Ambassador to Mexico John Gavin has had in the U.S. entanglement with the PAN is still open to question. Gavin's family on his mother's side is active among the oli-

garchical set in Sonora.

The U.S. State Department is not talking about the meeting. But other participants are. PAN leader Rosas López told the press that the secret meeting included "a thorough review of the economic, political, and social situation in the state and the country." Archbishop Quintero Arce admitted that the meeting included discussion of "the value of the peso to the dollar." The PAN was a chief promoter of the 1982 waves of capital flight that led to massive devaluations of the peso. The archbishop's admission has led the press here to question if the meeting had as one of its topics how to further damage the Mexican economy.

As part of its plan to dismember the nation, the PAN has been giving political and economic support to Protestant evangelical sects like those that have been spawned under the rule of Guatemalan "born again" butcher Efraín Ríos Montt.

The PAN mayor of Hermosillo, Casimiro Navarro, made a big show of trouping his whole family off to a recent Second Coming Is Nigh cult session led by Argentinian evangelist Luis Palau. Palau was the star of the giant revival session organized by Ríos Montt in Guatemala City last November. The PAN leader's endorsement of the gathering, which was repeated 10 nights in a row outside the capital, was used to herd thousands into the cult activities.

Collaboration between the PAN and State Department officials in Hermosillo is known to go back to at least 1967, when the then-director of the U.S. Information Service (now, USICA) played a role in the formation of the Movimiento de Integración Cristiana (MICOS), a paramilitary youth group modeled on Hitler's brown-shirts and linked to right-wing death squads in South America.

Report from Bonn by George Gregory and Rainer Apel

The Hitler diary hoax

Attempting to whitewash der Führer with a crude forgery, the Nazi International has put his name back into the limelight.

Experts from the West German Federal Archives announced May 6 that the "diaries" of Adolf Hitler "discovered" by *Der Stern* magazine reporter Gerd Heidemann were a "grotesque and superficial fraud." Hans Booms, the Archive president, said that he thought the hoax originated with "unreformed Nazis."

The perpetrators of the hoax are the coalition that *EIR* has previously identified as the backers of a "new Hitler project": the Nazi International based in Switzerland, South America, and elsewhere; British Intelligence networks (the same that put Hitler into power in 1933), including the "denazification" experts of the postwar Wilton Park brainwashing center; and strongly-suggested input from the East.

Even with the diaries now exposed, the effect has been achieved of putting "the Hitler question" on the agenda. As *Newsweek* commented in its May 2 issue, in one of the more extraordinary instances of journalistic cynicism: "the appearance of Hitler's diaries—*genuine or not, it almost doesn't matter in the end*—reminds us of the horrible reality on which our doubts about ourselves, and each other, are based [emphasis added]." The furor was intended to test the response of the population to a "cleaned up" version of Hitler (the "family man" who supposedly "didn't know" about the Holocaust).

Stern magazine publisher Henri Nannen is a chief perpetrator of the

operation. The details of Nannen's past history have been carefully excluded from the public view: Nannen was a prominent official in the Nazi propaganda office of Josef Goebbels. In one Nazi-era document, Nannen praises the "biological advantages" of Aryan blood over the "Jewish/Communist race" for culture and art.

Reporter Gerd Heidemann is no "objective journalist" but a cultist with connections to the Nazi International. German historian Werner Maser reported to *Time* magazine that Heidemann is "gullible and morbidly interested in Nazi paraphernalia." Heidemann once denounced Maser for claiming that Hitler knew of the mass execution of the Jews. Maser claims that Heidemann was "furious" and accused him of smearing "the Führer's name." Heidemann's wife spilled the beans with her openly pro-Nazi statements when the fraud was exposed: "It would have been a joy to tell the world the reality about the Führer," she said. "We have received letters and telegrams, above all from youths, who are overjoyed finally to learn the truth."

Heidemann became interested in the "diaries" through his purchase of Reichsmarshal Hermann Göring's yacht, known during the Nazi years as the "Carin II" (after Göring's wife). At the sale of the yacht, Heidemann became acquainted with SS General Karl Wolff, former chief adjutant to Heinrich Himmler, as well as other Nazi officials. Wolff was the principal

involved in separate peace negotiations with Allen Dulles for a Nazi surrender to the Americans in Italy.

While the story of the sale of the "Carin II" has been widely reported in the U.S. and British press, no one reports whom Heidemann bought the 160,000 deutschemark yacht from: the Queen of England! The yacht was in fact renamed the "Prince Charles," by the British Royal Family, which had requisitioned it after the war. Links between the Royal Family, Heidemann's Nazi friends, and the "diaries" hoax are currently under investigation.

Heidemann was also in touch with members of the Nazi International in South America, including Klaus Barbie, the recently-arrested Gestapo "Butcher of Lyons," and Josef Mengele, the "White Angel of Death" of the Auschwitz concentration camp.

Who certified the "diaries" as authentic and rushed them into print? A key figure was Hugh Trevor-Roper Lord Dacre. A member of the board of the *Sunday Times* of London and a top British Intelligence spook, Trevor-Roper had been sent by Winston Churchill into Germany just after the war to determine whether or not Hitler had died in the bunker. Trevor-Roper was a leader of the Wilton Park center, and has been involved in "validating" every major "discovery" of Nazi material. He edited the Goebbels diaries, and was the first international "expert" to hail the Hitler diaries as authentic (a position he later amended).

Trevor-Roper in turn is a friend and associate of Nazi International head François Genoud, a banker based in Lausanne, Switzerland! Trevor-Roper wrote the introduction to a collection of Hitler's "table talk" published by Genoud. Asked his opinion about the *Stern* diaries, Genoud deferred to the opinion of Trevor-Roper, whom he called "honest and reliable."

International Intelligence

PPP calls for Pakistan General strike

The Pakistan People's Party (PPP) has called for a nationwide general strike on May 13 against the regime of Chief Martial Law Administrator Zia ul-Haq.

Unconfirmed reports received from Pakistan, where all political activity is banned, say that the PPP call follows a week of widespread campus unrest throughout the country. Numerous students were reportedly killed at Peshawar, Karachi, and Punjab universities, while others were wounded at Punjab.

In reaction to the student unrest, the Zia regime, which was installed by Henry Kissinger in 1977, is reported to have promulgated Martial Law Regulation #52 which, among other things, bans student unions. Following the PPP call for a general strike, the government also launched another round of arrests of PPP leaders, down to the local level.

Four thousand celebrate Mussolini in Rome

"Fascism today is here. . . . We pose the moral question, and only we can do it. . . . The Parliament is not only gray and deaf, but also dirty! . . . The atmosphere of visceral anti-Fascism is now over, thanks also to intellectuals and writers of different political ideas. . . ."

This speech was given May 7 in the Adriano theater in Rome by the General Secretary of the MSI, Italy's so-called neo-Fascist party Giorgio Almirante, the infamous torturer of partisans, in front of more than 4,000 Fascists (old and new) who stood screaming, "Duce, Duce, Comrade Mussolini, Present!" and singing Fascist songs. The occasion was the 100th anniversary of Mussolini's birth, and the opening of the Fascist electoral campaign.

Giorgio Almirante praised the "intellectuals" who have given a new—"more realistic"—version of Fascism and Mussolini.

These intellectuals are the ideologues of Universal Fascism such as Michael Ledeen, Renzo de Felice, and Giorgio Bocca. The books of these "intellectuals" were hot items at the entrance of the theater, as were Mussolini medals, Fascist posters, and recordings of famous Mussolini speeches.

The best seller was Mussolini's declaration of war against the United States on Dec. 11, 1941.

Vittorio Mussolini told the crowd, "My father was a peace lover, despite what the journalists say! . . . Mussolini was a hero, he suffered for Italy until the end when he created the glorious Repubblica Sociale."

Publisher Giovanni Volpe, son of the Fascist historian, praised the terrorist prince Junio Valerio Borghese, while Almirante praised Italian Communist Party Secretary Enrico Berlinguer as a "loyal and civil adversary."

Genoud boasts of his Nazi connections

The Lausanne-based weekly *L'Hebdo* published March 19 what appeared to be a "damage-control" story, "The Truth About Bruno Breguet and François Genoud," which included an interview with Nazi International controller Genoud, the Swiss banker repeatedly exposed by *EIR*.

"A very quiet pro-Nazi" says the headline. "He publishes Hitler, Bormann, and Goebbels. . . . We have met him."

"What, what is François Genoud, 67, this committed pro-Nazi, doing with Bruno Breguet, 32, alleged extreme-left terrorist? On March 8 [1982], *Le Monde* blew the whistle when it revealed that the two men knew each other well, that the latter enjoys the 'protection' of the former and that they met right after Breguet's liberation from Israeli jails in 1977. Thus the issue of the possible links between international terrorism of left and right is back with us. . . ."

"My only crime is that I never turned coat. I never reneged on my ideas," said Genoud.

"But François Genoud did not renege on his commitments even after the war. Now, how can one continue to have pro-Nazi feel-

ings after having seen what happened in the camps, after the facts themselves demonstrated that National Socialism was an ideology of scoundrels? François Genoud became animated: 'You're brainwashed! You think that this was the only thing there was! I am convinced that there were other things. . . . It is true that horrors were committed on both sides, but there was never a systematic intention to exterminate people. . . .'"

EAP wins legal case against Genscher

The Munich state attorney lost his bid in court May 6 to protect West German Foreign Minister Hans-Dietrich Genscher from published charges the foreign minister has connections to organized crime.

The case went to court last October when the state attorney alleged that Bavarian European Labor Party (EAP) vice-chairman Klaus Fimmen had made "false accusations" against the foreign minister, who is also Free Democratic Party chairman, in a press release.

The EAP leader accused Genscher of having relations with well-known organized crime attorney Roy Marcus Cohn, a certain Jack Sommers, and Jacques Sallie, all of whom were allegedly involved in planning the assassination of EAP Chairwoman Helga Zepp-LaRouche during the summer and fall of 1982.

Although Genscher himself did not make any attempt to repudiate the accusations, the Munich authorities tried to construct a crime by noting that Fimmen had delivered the release to the Munich police office. This action was meant, argued the state attorney, to instigate an investigation against the foreign minister; yet, the state attorney charged, Fimmen must have been aware that the allegations were "absurd."

Fimmen's lawyer demanded to call four witnesses to prove that the basis for the press release had been a large number of reports received by the Wiesbaden office of the EAP that indicated that there were no less than three assassination attempts against Helga Zepp-LaRouche between Sept. 22, 1981 and

Sept. 2 1982 and that there were many reasons to believe that Genscher himself had contact to the circles behind these attempts. The reports even indicated that he met with Jack Sommers at the end of July 1982, in a Munich hotel.

The court decided to throw the case out rather than pursue it, which might have led to a greater disaster for the state attorney.

Le Figaro endorses beam weapons strategy

The prestigious conservative French daily *Le Figaro* in a half-page article May 10 detailed and endorsed the new U.S. strategic doctrine of antiballistic missile defense with space-based beam weapons outlined by President Reagan on March 23.

The article by defense correspondent Pierre Darcourt noted:

"With hostility from part of the scientific community and the 'industry lobby,' skepticism of defense experts and the leading media, President Reagan's 'Star Wars' at present can only count on a minority of enthusiastic and 'insider' supporters. The Soviets protest vehemently and officially, charging the chief of the White House with trying to 'disarm the Soviet Union' by boosting the menace into space. French political officials, solidly locked into deterrence, keep a cautiously guarded attitude.

"Still, the huge gamble taken by President Reagan might 'freeze' at one fell swoop the formidable investments made in all the nuclear arsenals. The terrible game of peace based for three decades on the balance of nuclear terror would thus lose all meaning.

"For if the 'exotic' weapons being discussed, laser beams or particle beams, were deployed, they would in time throw all the nuclear missiles with single or multiple warheads stored in silos or mounted on mobile vehicles into the garbage heap of history as 'reject' devices. . . .

"The first tests in real shooting were done two years ago. In 1981, the Americans successfully tested an X-ray laser built by the Livermore Laboratory in California, capable of hitting a ballistic missile at the end of its trajectory.

"The first generation of anti-missile beam weapons will probably be deployed in the form of a new ground-to-air artillery made of ground-based laser batteries. . . .

"This first system could be operational within three to five years. The second generation sweeps aside all the objections raised by opponents of space defense. . . ."

'Bay of Pigs' for Niguara?

The Reagan administration is being fed the lie that an anti-Sandinista military operation in Nicaragua can be quick, surgical, and successful—at little cost.

A general uprising will be underway by mid-July in Nicaragua, spokesmen for the anti-Sandinista forces are busy telling the international wire services from their bases in Costa Rica, Honduras, and inside Nicaragua. By then, they claim, 10,000 will be armed and another 20,000 ready for arms. Professional mercenary Edén "Zero" Pastora claims he is passing out arms to peasants in the south of Nicaragua.

To speed up the operation, economic warfare has now been added to the arsenal of American operations thrown against Nicaragua.

Nicaragua's sugar export quota to the United States has been slashed from 58,000 tons a year to 6,000, State Department officials announced May 10. Nicaragua's quota is being "redistributed" to El Salvador, Honduras, and Costa Rica.

A *Wall Street Journal* editorial May 10 raised the possibility that a deployment of U.S. Marines to the area might speed things up further.

Kissinger's friends at Center for Strategic and International Studies in Georgetown know better than the advice they are feeding the administration. It is not a quick victory they are working toward, but a new Lebanon in Central America. CSIS Cuban and Latin American expert Robert Leiken stated privately in April that U.S. "covert" operations will lead to the partition of Nicaragua into four areas, each controlled by warring bands: Sandinistas, Somocistas, Miskito Indians, and Eden Pastora's "former Sandinistas."

Briefly

● **PIERRE ELLIOT TRUDEAU** announced May 9 that he is making a complete turn-about from his 1977 strategic policy of "suffocation" of nuclear armaments because of the continuing Soviet deployment of SS-20 missiles. Blaming the Soviets for the failure of his own policy, the Canadian prime minister said he sees at this time no other option but to endorse the deployment of the U.S. Pershing II missiles in Europe.

● **HELMUT SCHMIDT** has accepted an invitation to Henry Kissinger's 60th birthday celebration on May 27.

● **AYATOLLAH JAZAYERI** and Hadi Haeri, two senior emissaries from Iran, were in Washington this month lobbying for upgraded ties between the United States and the Tehran regime. Hadi Haeri is the grandson of the mullah who trained Khomeini.

● **THE SHIELD** Organization, has taken responsibility for acts of terrorism against the occupied West Bank. The *Jerusalem Post* of May 6 reported that the group has paid West Bank Arabs to carry out car-bombings and other terrorist acts against Arab residents.

● **SAPIENZA UNIVERSITY** in Rome was the scene of an end-of-April conference which discussed Moscow as the "third Rome" after the "collapse of Rome and Constantinople as the centers of Christianity."

● **MOROCCO'S** first nuclear plant can be built as soon as the final financial arrangements are made. France is going to build the 600-900 MW plant, and has made a new proposal on the financing. Morocco King Hassan had requested a nuclear plant just before French President François Mitterrand visited Morocco in late January.

The Scowcroft target is beam-weapons policy

by Graham Lowry

In testimony before the Senate Foreign Relations Committee May 11, Commission on Strategic Forces Chairman Brent Scowcroft fully confirmed that the current effort to blackmail President Reagan into making the Scowcroft Commission report the basis of U.S. arms control policy is aimed at overturning the new defensive strategic doctrine announced by the President March 23. Scowcroft joined former Defense Secretary James Schlesinger, a leading architect of the lunatic doctrine of Mutually Assured Destruction (MAD) that Reagan repudiated with his decision to develop beam-weapon anti-missile defense systems, in attacking the President's historic initiative.

Scowcroft announced that "I want to associate myself completely" with Schlesinger's statements to the committee demanding that the administration adhere to "the rules of the game" established in the 1972 Anti-Ballistic Missile Treaty "that both sides would not try to destroy the deterrent capability of the other side." In addition to this insistence that MAD be adhered to at all costs, Scowcroft called for establishing a new "bipartisan" commission on arms control that would oversee the implementation of new MAD prescriptions on strategic arms control.

'Bipartisan' defense of MAD

Against President Reagan's decision to shift U.S. strategic doctrine to Mutually Assured Survival through development of defensive beam weapons that would make nuclear missiles "impotent and obsolete," a "bipartisan" congressional alliance of Kissinger Republicans and Harrimanite Democrats has sought to blackmail the President into submission to the dictates of the Scowcroft Commission report

issued last month. The commission report rejected the President's beam weapons program in favor of a Kissinger-backed agenda for U.S.-Soviet arms control talks. Scowcroft himself is a long-standing top aide to Henry Kissinger, and currently serves him as executive director of Kissinger Associates, Kissinger's "consulting" firm that features former British Foreign Minister Lord Peter Carrington on its board.

The circles of Henry Kissinger and Averell Harriman have coordinated their campaign against President Reagan's new strategic doctrine in direct collaboration with the British Foreign Office and in parallel with Soviet leader Yuri Andropov—as both London and Moscow oppose the thoroughgoing revival of America's defense capabilities and economic power that will result from the development of beam weapons technologies. Georgii Arbatov, head of Moscow's U.S.A.-Canada Institute, recently met with Scowcroft and another former top Kissinger aide, William Hyland, at a U.S.-Soviet gathering of the Dartmouth conference in Denver, Colorado. According to a top British official involved in secret Anglo-Soviet coordination, Arbatov's meetings in the United States "facilitated the process" of tightening the grip of Kissinger's circles over the Reagan administration.

On Capitol Hill, that effort has featured threats from Kissinger Republicans and Harrimanite Democrats that the White House will not get approval for deploying the MX missile unless the Scowcroft report and a special commission to implement its recommendations are fully endorsed by President Reagan. Letters specifying such conditions were delivered to the White House May 2, drafted by a "bipartisan" group of senators and congressmen including Sen. Charles Percy (R-Ill.) and Rep. Albert Gore (D-Tenn.). The follow-

ing week, as President Reagan began personal lobbying for the MX in Congress, the blackmail threat produced a series of meetings with White House officials and the President himself, pressing him to revise the U.S. strategic arms position at Geneva in accordance with the Scowcroft report.

Following delivery of the letters, Council on Foreign Relations mouthpiece Charles Percy, chairman of the Senate Foreign Relations Committee, told reporters he was targeting "certain people around [the President], in the National Security Council and the Defense Department, who will do anything to prevent arms control. These are the guys I am out to get." The Kissinger-Harriman crowd has made it clear that they want to crush the influence of National Security Adviser William Clark and Defense Secretary Caspar Weinberger, the two most prominent backers of the President's beam weapons policy in the administration.

Percy's Senate hearings May 11, called to discuss the arms control implications of the Scowcroft report, were carefully orchestrated to promote the "continuity" of MAD and raise "apprehensions" about the President's defensive doctrine. In his opening statement, Percy urged "strong bipartisan support" for the Scowcroft panel recommendations, and added, "I have been concerned about the lack of continuity in arms control over the decades, and the commission report is a good first step." Percy cited the letter he and other senators sent to the President calling for a new "bipartisan" arms control commission, and elicited Scowcroft's endorsement for the proposal.

Attacks on the President's beam weapons program were elicited by Sen. Claiborne Pell (D-R.I.), member of the genocidalist Club of Rome and a co-sponsor of a Senate resolution calling for a ban on all space weapons. Pell asked the witnesses to state their views on "the President's space-based missile defense proposal," giving Schlesinger the opportunity to say that it "undermines" the 1972 ABM treaty's premises that neither side would destroy the other's deterrent capability, "and that makes me apprehensive." Schlesinger portrayed the missile defense system as "something which you may have in 2010," arguing at the same time that it "augments the Soviets' fears, and it augments the ability of the Soviets to play upon European fears."

Scowcroft then jumped in to say, "I would associate myself completely with what Dr. Schlesinger has just said in being apprehensive about the consequences of this. . . . The perils of getting from here to there, and the skepticism about how soon—if ever—we would have operational systems, leaves me very cautious." Instead, Scowcroft reported to the committee that he and other members of his commission have continued their inputs into the administration on a "wholesale revision" of its strategic arms proposals, which "should be stretched out over some period of time." Scowcroft also called for closer coordination of arms control and weapons development policies, complaining that too often "the two components have gone in different or independent directions."

While Scowcroft pushed for MAD's doctrinal supremacy on Capitol Hill, his boss Henry Kissinger was addressing a

convention at the Washington Hilton, insisting that the priority is to enforce a consensus on strategic policy for the long term, and *then* determine what weapons systems should be deployed.

Reagan administration is not capitulating

The fight within the administration over the Kissinger-Scowcroft blackmail operation has been intense. Defense Secretary Weinberger and Joint Chiefs of Staff Chairman Robert Vessey have strongly objected to changing the U.S. position at the Geneva talks, and a National Security Council meeting called on May 11 to discuss altering the basis for the negotiations reportedly ended without making any concrete decisions. The same day President Reagan sent his reply to the nine House members who wrote demanding the Scowcroft report be made the basis for the Geneva talks, especially its proposal to shift the MAD equation for relative nuclear force levels, currently based on the number of launchers or missiles, to one based on the number of warheads deployed.

The intended trap for the President in a strategic posture that would mean fewer warheads but more missiles deployed, is the ostensible endorsement it would give to the Scowcroft report's call for putting a priority on overcoming Soviet ABM defenses rather than developing American defensive systems. James Schlesinger and his fellow MAD devotees also hope that would lend credibility to the charge that "there is no such thing as a leakproof system," especially if both sides were increasing the number of missiles that would have to be intercepted by ABM defenses.

In his reply to Congress, Reagan wrote of "our common goals of insuring effective deterrent forces" and of his agreement "with the essential theme of the Scowcroft Commission's approach to arms control: the attainment of stability at the lowest possible level of forces." He pledged to "bring the proposal of a small, single-warhead ICBM to fruition on a high-priority basis," and said that he saw "merit" in the proposal for a bipartisan commission and working closely with the Congress. But he added, "However, we are giving careful consideration to determining which follow-on arrangements best meet our common objectives."

The carefully worded and deliberately vague formulations of the letter were nonetheless sufficient to obtain House committee approval of appropriations for deploying the MX missile, but Reagan continues to emphasize that his long-term arms control policy is to make nuclear weapons obsolete by developing defensive beam-weapons. While congressional committees were considering the MX request, a leading West German magazine published an exclusive interview with the President aimed at dispelling any European "fears" of the sort Schlesinger was insisting upon.

Reagan told *Bunte Illustrierte*, "I do not believe a limited nuclear war is possible" and that any Soviet nuclear strike would be aimed at the United States as well as at Europe—thereby repudiating Schlesinger's "forward defense" madness established as "rules of the game" during the Nixon-Ford administrations. The President invoked his March 23

speech and again attacked past reliance on “deterrence with offensive nuclear weapons,” noting that he has ordered “a comprehensive examining of technologies and other areas dealing with defense in its broadest meaning, in order to evaluate how our and our allies’ security can be guaranteed by such methods.”

The President also emphasized the need to “maintain our basic industries,” through “investments in new machinery and equipment” and “the mastering of new technologies” that will lead to an “increase in standards of living made possible only by productive technology on our farms, in our factories, and in our offices.”

What’s wrong with the MX commission

by Lonnie Wolfe

Henry Kissinger’s former aide Gen. Brent Scowcroft and his Commission on Strategic Forces, more commonly known as the MX Commission, have produced a series of recommendations aimed at undermining the President’s stated commitment to end the era of Mutually Assured Destruction through the development of defensive anti-missile beam weapons.

According to defense intelligence sources, every member of the commission, with the exception of former Air Force Secretary Thomas Reed, strongly disagreed with the President’s March 23 speech ending the MAD era.

While admitting that the Soviet Union is developing a ballistic missile defense capability, the report states under a section on ballistic missile defense in the portion of the report headed Technological Trends for Strategic Forces: “Substantial progress has been made in the last decade in the development of both endo-atmospheric and exo-atmospheric ABM defenses. However, *applications of our current technology offer no real promise of being able to defend the United States against massive nuclear attack in this century.* [emphasis added]” The report suggests that a limited ABM defense might be used to defend fixed hardened silos, but points out that “even this will be a difficult feat.”

Later, in a section on ballistic missile defense under the heading of Strategic Modernization Programs, the report argues that while research should be conducted within the limits of the 1972 ABM Treaty to avoid a “technological surprise” by the Soviets, “at this time, however, the Commission believes that no ABM technologies appear to combine practicality, survivability, low cost, and technical effectiveness sufficiently to justify proceeding beyond the stage of technology development.”

Since the Commission had access to classified research

on beam weapons technologies of the type that informed the President’s March 23 speech, one can only surmise that it has chosen to use its report to refute the findings of the President himself and his closest advisors on the feasibility of a layered, comprehensive beam weapon defense. Instead, the commissioners go on to recommend that the United States place a higher priority on developing counter-measures to a Soviet ABM system—a statement of strategic lunacy, repeated in a recent interview by Henry Kissinger.

The Commission made the following recommendations:

- First, they recommended that the MX missile be based in existing Minuteman missile silos, hardened to resist attack with existing concrete technologies. As the Commission report admits, the commissioners recognized that this proposal would in no way make MX missiles invulnerable to attack.

By making this admission, the Commission deliberately encouraged a debate on whether a fixed, heavy payload land-based component of the strategic nuclear triad was necessary, since it could not be defended. In public statements analyzing the report, both Kissinger and Scowcroft have argued that the MX is not really a strategic system at all, but some kind of bargaining chip to be placed on the table in arms control talks with the Soviets. In that way, the Scowcroft panel is trying to force all discussion on strategic weapons systems into the MAD-dominated arms control arena.

- Second, the Commission recommends that the U.S. move quickly to develop a small mobile single warhead missile, dubbed the Midgetman. They argue that such a missile would have a high probability of surviving a Soviet attack. Implicit in this recommendation, and supported in direct statements elsewhere, is the advice to move away from heavy launchers and multiple warheads (MIRVs).

Both proposals parallel a recent attack by Henry Kissinger on the President’s missile defense program, in *Newsweek* magazine. One source reports that Kissinger, along with former Defense Secretary Robert McNamara, originally pushed the MIRV concept to counter what were thought to be Soviet anti-missile defenses in the 1960s. Those defenses centered on shooting down incoming warheads with a warhead carried by a missile. By placing more warheads on a single missile, Soviet ABM defenses would be overloaded.

This source reports that Kissinger now recognizes, despite public pronouncements to the contrary, that Soviet ABM technologies are designed to shoot down missiles from space using directed energy weapons in the first minutes of flight. It therefore no longer matters how many warheads are carried on a single missile. Instead, Kissinger and Scowcroft want to proliferate launchers to make an effective ABM system more difficult. Hence the Midgetman scheme.

- Finally, the Commission recommends that the administration modify its arms control proposals to count warheads instead of launchers. This proposal was endorsed this month by Soviet leader Yuri Andropov. As with the Midgetman scheme, the hidden purpose behind the recommendation is Kissinger’s new desire to proliferate launchers.

Henry Kissinger committed treason in the SALT I negotiations

by Robert Gallagher

Analysis of the 1969-1972 Strategic Arms Limitations Talks (SALT I) and the treaties that emerged from them in May 1972 provides clear, irrefutable evidence that then presidential National Security Advisor Henry Kissinger is guilty of representing the interests of foreign powers in his conduct and policies in the course of the negotiations.

Kissinger and his predecessor in SALT, Defense Secretary Robert McNamara, were interested in arms control only as a vehicle for imposing a technological freeze on the United States, with assistance from the Soviet Union. To do so, they fabricated the notion that the Soviets—like themselves—were committed to the doctrine of Mutually Assured Destruction.

SALT I included a treaty limiting antiballistic missile (ABM) systems that limited the United States to one ABM site—destroying the U.S. program while granting the Soviets the ability to pursue construction of a limited nationwide system.

It included the Interim Agreement on strategic arms that granted the Soviets strategic nuclear superiority over the United States by imposition of a freeze on Soviet and U.S. levels of intercontinental ballistic missiles (ICBMs) and by granting the Soviets a 45 percent edge in submarine-launched ballistic missiles (SLBMs), a level which they had not yet attained. The accompanying table shows the figures for U.S. and Soviet ICBMs and SLBMs agreed to in SALT I.

In order to win adoption of this incredible policy, Kissinger defined "ABM system" in the treaty to cover a specific ABM system design of which both the United States and the Soviet Union only had one, though Soviet deployments were not limited to that type. Further, he withheld intelligence on late-1960s Soviet commitments to development of directed-energy technologies from President Nixon and the general public so as to make it appear that the Soviets had renounced defense against nuclear attack by signing the ABM Treaty.

Soviet Defense Minister Marshal Andrei Grechko emphasized the true nature of Soviet SALT strategy when he emerged from the Sept. 29, 1982 session of the Supreme Soviet that ratified the ABM Treaty. The treaty, he said specifically,

does not place any limits on carrying out research and experimental work directed towards solving the prob-

lems of defense of the country from nuclear missile attacks.

In fact, the same year the treaty was signed the Soviets conducted tests of their nationwide "Tallinn" perimeter air defense system—not covered by the treaty—in mock engagements with ICBM warheads.

The evidence presented here forms the basis for a case that Henry Kissinger acted as a de facto agent of the Soviet Committee on State Security (KGB). However, Kissinger himself made clear in a 1982 address to the Royal Institute for International Affairs that it was British, not Soviet, doctrine that guided his hand in SALT and other matters (see *EIR*, June 1, 1982). We leave final identification of the power that Kissinger represented to a formal investigation.

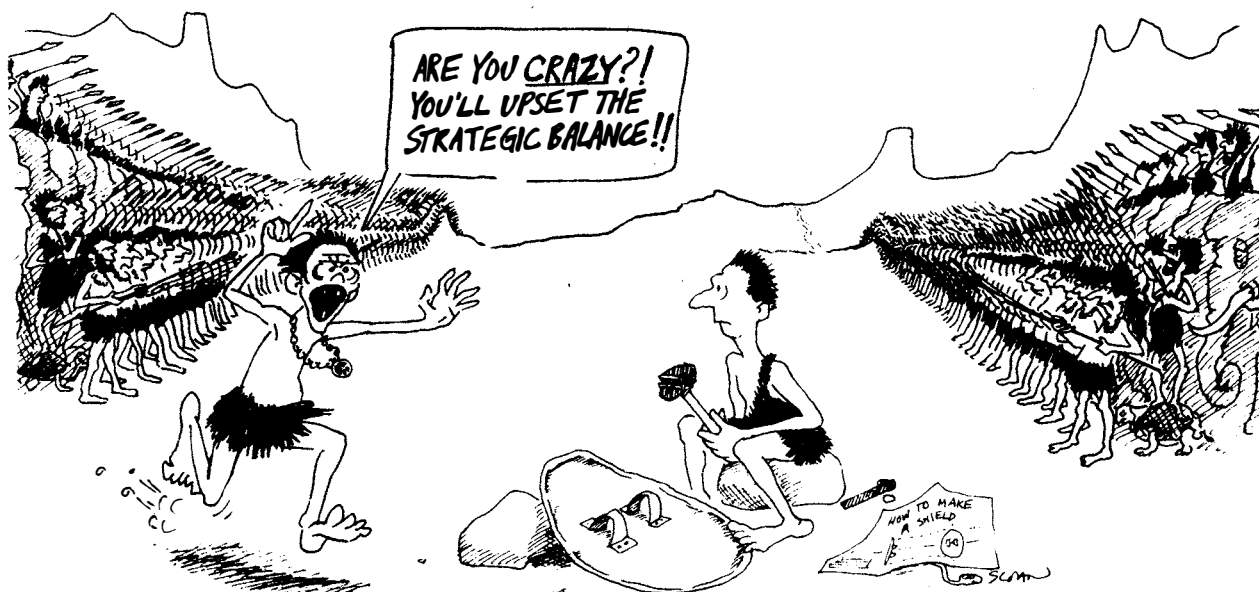
Soviet directed-energy work, 1969

Recent investigation demonstrates that the Soviet Union has always led the United States in understanding the ability of directed-energy technologies to form the basis for nuclear defense. As early as 1958 the Soviets knew of the "X-ray effect," the fact that X-ray radiation released from an H-bomb blast can be used to disable ICBM warheads. In early 1967, a Soviet scientist discussed the effect at a public conference, to the shock of Western scientists present at the meeting. Benson Adams cited one U.S. authority in his *Ballistic Missile Defense* as stating that conference attendees "found that the Russians not only had something, and were years ahead in theory, but had already tested it out in space and probably were starting to build their anti-missile system around it." A series of *New York Times* and *U.S. News and World Report* articles reported the details as they became known.

After discovery of the X-ray effect in 1958, the Soviets agitated for a moratorium on nuclear testing, which they

Limits on strategic arms in SALT I

	ICBMs	Heavy ICBMs	SLBMs
Soviet	1,618	313	950
U.S.	1,054	54	656



Christopher Stone/NSIPS

obtained. In 1961, they unilaterally broke the moratorium in a series of tests that included successful destruction of multiple incoming ICBM warheads with a single ABM missile warhead by use of the X-ray effect.

But Soviet efforts were not limited to application of the effect to anti-missile missiles. A May 1971 Rand Corporation report, *Effects of Strong Explosions (R-760)*, edited by S. Kassel, reported Soviet research on development of an X-ray laser. One design developed by Soviet scientist Yuri L. Stankevich and reported by Rand argued for the feasibility of electron-beam pumping of an X-ray laser.

The Tal'roze breakthrough

More important were concrete Soviet achievements in the laboratory in 1968 and 1969 in development of chemical lasers. A February 1971 Rand Corporation report, *Soviet Chemical Laser Research: Pulsed Lasers (R-921)* by Yuri Ksander, documented the success of V. L. Tal'roze at the Soviet Chemical Physics Institute in 1968 and 1969 in building a pure hydrogen-fluoride chemical laser with an efficiency "approximately one-half the energy stored in the system." Existing U.S. chemical lasers were represented by Pimentel's inefficient 1965 hydrogen and uranium-fluoride laser. Ksander wrote:

Although Pimentel's 1965 laser was hailed as a "principal achievement," the feeling at the Chemical Physics Institute was that the low chemical efficiency of such a laser was the result of an improper choice of a mixture in which self-sustaining reactions—even simple ones—were clearly impossible.

Tal'roze's laser solved this problem. Meanwhile, N. G. Basov of the Lebedev Physical Institute identified which atomic transitions were the causal basis for the laser effect, correcting Pimentel's theoretical work. By 1971, scientists at the Lebedev Institute could announce successful gener-

ation of a 300-gigawatt power pulse from a high-energy laser.

The Kassel and Ksander reports document extensive Soviet research on laser effects on various materials, such as aluminum and fiberglass, the materials that make up the skins of ICBMs. In September 1971, Ksander published a follow-up report in which he stated that the Soviets had increased resources devoted to beam technologies research 50 percent since the 1969 Tal'roze breakthrough, and that the Soviet program was highly integrated, directed step-by-step by Basov. But its purpose was not clear to Ksander. Soviet laser research, he wrote, is

complicated by the highly dominant leadership of the system by Basov, whose motives for the advancement of a specific laser field are not always altruistic, nor, for that matter, fully understood.

While the breakthroughs described in the Rand reports were in progress, all references to the use of directed-energy beams in ABM systems was dropped from the 1968, third edition of Marshall V. D. Sokolovskii's *Military Strategy*.

Soviet about-face on ABMs

In February 1967, Soviet Premier Alexei Kosygin had denounced Defense Secretary Robert McNamara's proposals for a ban on anti-missile missiles not linked to reductions in offensive arms, and ridiculed the notion that ABMs were "destabilizing" (see *EIR*, May 3, 1983). Two and half years later the Soviets completely reversed their position and opened the first session of SALT at Helsinki, Finland in November 1969 "making McNamara-like noises about the destabilizing effects of ABM deployment," as one U.S. official put it. Soviet motives for making this about-face were several. But Kissinger's "bargaining chip" of the U.S. Safeguard ABM system was not one of them (see below). The Tal'roze breakthrough and Soviet recognition that they led the West in

directed-energy technologies were deciding factors.

The Rand reports, prepared for and reviewed by the Defense Advanced Research Projects Agency's (DARPA) laser technologies committee in February 1971, resulted in special meetings of the National Security Council (NSC) SALT Verification Panel and issuance of National Security Decision Memoranda (NSDM) 117 and 127 in July and August 1971. The State Department, the CIA, and the Arms Control and Disarmament Agency (ACDA) called for a total ban on directed-energy technologies, including research and development. Kissinger, knowing the Soviets would never go along with such proposals, rejected the proposed ban on R&D and denigrated the Soviet lead. NSDM 127 called for the U.S. SALT negotiating team to press for a ban on ABM systems based on directed energy, exclusive of research and development. Even this proposal flopped. The final treaty included Agreed Statement D, which stipulates that

in the event ABM systems based on other physical principles and including components capable of substituting for ABM interceptor missiles, ABM launchers, or ABM radars are created in the future, specific limitations on such systems and their components would be subject to discussion. . . .

President Nixon was kept totally in the dark regarding the directed-energy issue and many other SALT matters, as Kissinger himself testifies in his memoir, *The White House Years*:

Nixon took a keen interest in the strategy for SALT and in what channels it should be negotiated. But the details of the various plans bored him; in effect, he left the selection of options to me. Yet if the bureaucracy had become aware of this, all vestige of discipline would have disappeared. I therefore scheduled over Nixon's patient protests a series of NSC meetings where options were presented to a glassy-eyed and irritable President so that directives could be issued with some plausibility on his authority.

The origins of SALT

The purpose of SALT was always to bring to bear the weight of international negotiations to impose a technological freeze on the United States. The first step in this process was the Nuclear Test Ban Treaty of 1963, through which McNamara dealt a severe blow to the U.S. Army ABM program. The treaty prevented the U.S. from learning of the "X-ray effect" until 1967 (and then from the Soviets themselves) and from developing a solution to ABM radar "blinding."

As reports of Soviet deployment of the Galosh system around Moscow and of the ABM capabilities of the Tallinn perimeter defense system intensified in the mid-1960s, McNamara could no longer defuse the movement towards ABM, as congressional committees increasingly caught him

lying to protect his repulsive MAD policy. When the Joint Chiefs of Staff unanimously called for a program to build a nationwide ABM system at a meeting with President Johnson Dec. 6, 1966, McNamara proposed to hold off on deployment until the State Department attempted to open negotiations with the Soviets to limit ABMs. The Soviet response to the U.S. proposal for an ABM ban was a swift "Nyet." Premier Kosygin ridiculed the proposal to ban systems "designed instead to prevent the death of people" and called for negotiations limiting offensive weapons instead. After Kosygin restated this position at his Glassboro, N.J. meeting with Johnson in June 1967, the purpose of subsequent U.S. strategic defense policy was to attempt to get the Soviets to the bargaining table—as allies against U.S. technology development.

The bargaining chip hoax

In September, McNamara announced deployment of the Sentinel ABM system, described absurdly as an anti-China system. McNamara motivated the system as a vehicle for forcing the Soviets into talks.

Subsequently, Kissinger emphasized that he succeeded in negotiating the SALT I treaties because of U.S. commitment to deploy the Safeguard ABM system, a redesign of Sentinel to protect U.S. Minuteman ICBM sites from attack. There is absolutely no truth to this contention. Both Soviet and U.S. experts knew that the Safeguard system would not function. There were two reasons for this.

First, all U.S. ABM system designs would suffer from "radar blinding" under attack. This refers to the fact that nuclear warheads of anti-missile missiles detonated against incoming ICBMs would blind the ground-based radars that acquire targets and guide the missiles to intercept. After the first interception and warhead detonation, there would be a significant period of time during which incoming ICBMs could descend undetected by Safeguard. According to Dr. Edward Teller and numerous other sources, the Soviets acquired knowledge in their 1961-63 test series with which to integrate radar with interception to avoid blinding. The Nuclear Test Ban Treaty of 1963 prevented the United States from ever acquiring that knowledge.

Second, Safeguard radars, designed for a system to protect cities, were not hardened. They could only withstand one-tenth the blast that the missiles they were supposed to protect could withstand. A Soviet attack could first blind the radar with a high altitude nuclear burst, then destroy the blinded radar and attack the Minuteman sites with impunity. Dr. Wolfgang Panofsky, director of the Stanford Linear Accelerator, presented this argument for redesigning Safeguard components to withstand a nuclear blast on March 28, 1969 before the Senate Foreign Relations Committee. The redesign never occurred.

The actual reasons for Soviet agreement to SALT were three. First, breakthroughs in directed-energy beam technology opened the prospect of ABM systems that would be

cheaper and more effective than anti-missile missiles. The 1968-69 U.S. development of MIRVs, missiles with multiple warheads each able to be independently targeted, simply underscored the need for ABM systems to be based on directed-energy technologies.

Second, between 1967 and 1969 the Soviets achieved parity with the United States in numbers of ICBMs. By the time of the signing of the treaties, they had a 60 percent lead.

The third reason was Henry Kissinger.

Kissinger defined "ABM system" in the negotiations and in the treaty to mean the bankrupt Safeguard system. This definition covered only a fraction of Soviet ABMs. Article II reads:

For the purpose of this Treaty an ABM system is a system to counter strategic ballistic missiles or their elements in flight trajectory, currently consisting of: a) ABM interceptor missiles, which are interceptor missiles constructed and deployed for an ABM role, or of a type tested in an ABM mode; b) ABM launchers, which are launchers constructed and deployed for launching ABM interceptor missiles; and c) ABM radars, which are radars constructed and deployed for an ABM role, or of a type tested in an ABM mode.

This definition does cover the Soviet Galosh ABM at Moscow. But Soviet spokesmen, such as the late Defense Minister Andrei Grechko and Soviet Civil Defense head Vasily Chuikov, always referred to Soviet ABM systems. At the time of the negotiations, the Soviet "Tallinn" perimeter defense anti-aircraft and ABM system did not include large, phased array radars. Its radars were smaller, but nonetheless could guide its SA-5 surface-to-air missiles to ICBM intercepts. Kissinger deliberately overlooked the system to impose controls on U.S. ABM development. Large radars have since been deployed (See *EIR*, May 3, 1982).

This "concession" won Soviet agreement on an ABM treaty soon after the start of formal talks in November 1969. On offensive missiles, the Soviets had completely reversed themselves. Now that they were surpassing the United States in land-based ICBMs they were no longer eager to negotiate limits on offensive missiles. The extent of the Soviet build-up was staggering. Their ICBM force had grown from 570 in mid-1967 to 1,440 by the end of 1970, a 386-missile lead over the United States.

Because of this build-up Kissinger was pressed to negotiate limits on offensive arms as a precondition for U.S. agreement on ABMs. On May 20, 1971 came a "break-through," better described as surrender. The Soviets were very appreciative. Kissinger offered to freeze U.S. ICBMs at 1,054 and Soviet ICBMs at 1,618. This proposal was the basis of the joint letter between Nixon and Kosygin issued that day. By this time, the Soviets realized they could get whatever they wanted.

Kissinger pressed for a five-year freeze on all ballistic missiles. But the Soviets only had 510 submarine launched

ballistic missiles (SLBMs) to the United States's 656. They were opposed. Solution: Kissinger flew to Moscow in April 1972 at the suggestion of Soviet Ambassador Anatoly Dobrynin. Nixon gave Kissinger a mandate to negotiate on Vietnam and explicitly instructed him not to negotiate on SALT. Instead, Kissinger violated Nixon's orders and initiated negotiations on SLBMs. Nixon radioed Kissinger repeatedly warning him not to overstep his authority. Kissinger writes in his memoirs:

While my associates and I were aware of major breakthroughs, we were being bombarded with missives from Washington that we had been "taken in" by the wily Soviets.

Kissinger disregarded Nixon's instructions and offered the Soviets the right to build up to a level of 950 submarine missiles before their side of the freeze would go into effect. U.S. SLBMs remain frozen at 656.

In testimony before a congressional committee, Kissinger explained his SALT policy with the following incredible statement:

Since the middle 1960s, the growth of the Soviet strategic force has been massive. . . . This has happened without the U.S. attempting to make a significant effort to rectify that state of affairs. One reason was that it was not easy to rectify. But another was the growth of a school of thought to which I myself contributed . . . which considered that strategic stability was a military asset and in which the amazing theory developed, i.e., historically amazing, that vulnerability contributed to peace and invulnerability contributed to the risks of war . . . opponents of (ABMs) saw in the strategic vulnerability of the United States a positive asset.

The military policy consistent with Kissinger's MAD SALT was never American. Lyndon LaRouche has emphasized in his *How to Prevent Nuclear Holocaust* that MAD's nuclear umbrella protects only the conduct of genocide in the developing sector. Kissinger recounted the origin of his negotiations policy in a speech before the Royal Institute for International Affairs May 10, 1982:

Fortunately, Britain had a decisive influence over America's rapid awakening to maturity in the years following [World War II]. In the 1940s and 50s our two countries responded together to the geopolitical challenge of the Soviet Union. . . .

In my period in office, the British played a seminal part in certain American bilateral negotiations with the Soviet Union—indeed, they helped draft the key documents. In my White House incarnation then, I kept the British Foreign Office better informed and more closely engaged than I did the American State Department. . . .

The IUD and 'post-industrial' industry

The AFL-CIO launches a campaign for the creation of a corporatist American Social Democracy.

The AFL-CIO's Industrial Union Department (IUD) concluded a two-day conference in Washington, D.C. on May 5, entitled "Rebuilding American Industry." In the keynote address, given by William Winpisinger, the purpose of the conference was stated to be the launching of a campaign to guarantee that the 1984 Democratic Party presidential candidate is committed to a corporatist reorganization of U.S. economic policy-making.

William Winpisinger is an avowed socialist revolutionary, president of the International Association of Machinists (IAM), member of the Democratic Socialist Organizing Committee, director of the State Department-controlled and -funded American Institute for Free Labor Development (AIFLD), and member of the Democratic National Committee.

"It's time we started importing some of that Democratic Socialism," Winpisinger announced. "We need to elect a government with leaders who aren't currying favor with the corporate state . . . who aren't too timid to take that next step beyond FDR's New Deal, Harry Truman's Fair Deal, John Kennedy's New Frontier, and, yes, Lyndon Johnson's Great Society." Despite Winpisinger's demagogic attacks on the "corporate state," the "multinationals," and President Ronald Reagan, whom he called "Ronnie the Robot" and "the current bus boy for the corporate state," each one of the IUD leaders, each of the four

Democratic candidates (Mondale, Hart, Cranston, and Glenn), and one retired candidate (Kennedy) who spoke at the conference at the IUD's invitation, called for establishing new "tripartite" (business, government, and labor) institutions to dictate all credit and investment decisions, including, most emphatically, those in advanced technologies, for each sector of industry.

Beginning with Winpisinger, speaker after speaker attacked the idea that America was moving into a post-industrial age.

Even Gary Hart, the original "Atari Democrat" who, as recently as last July greeted the "communications revolution" zombies at the World Futures Society "World Assembly" as "fellow revolutionaries," and who has been identified as the Presidential candidate Averell Harriman finds most attractive, announced, sheepishly, "I have never believed that this transition can occur without maintaining our basic manufacturing industries."

In fact, the specific policy proposals made at the conference would prevent *any* advanced technology industry, in manufacturing, defense, communications, or any other sector from being implemented, while maintaining extra-governmental dictatorial control, through an "Industrial Development Bank" and the previously mentioned "tripartite" bodies, over all wage, investment, export marketing, and pricing decisions.

In a document titled "Rebuilding

American Industry," distributed at the conference by the IUD, it is demanded that "Management should be required to provide the community and workers its rationale for any proposed technological change. Their statement should detail the economic and human impact of new technology." Any observer of the impact of required environmental impact statements and other regulatory policies on the nuclear energy industry knows that this requirement is a prescription for no new technology. Alan Cranston betrayed, perhaps unwittingly, his understanding of the impact of this sort of policy on employment, the one aspect of the current economic depression with which the IUD claims to be concerned. "I will see to it that new technologies are used in ways that will not deprive America of its joblessness," he promised.

The tirades against the "corporate state" were also belied by the largest document distributed by IUD at the conference, a one hundred page report, *International Trade, Industrial Policies, and the Future of American Industry*, prepared by the Labor-Industry Coalition for International Trade (LICIT).

LICIT is composed of major member unions of the IUD plus a number of U.S. based multinational corporations—Corning Glass, B. F. Goodrich, Ingersoll Rand, St. Joe Minerals, W. R. Grace, Westinghouse, and Weyerhaeuser. The report is, primarily, a hit-list of successful development of industry in the advanced and "newly industrialized nations" such as Korea, Brazil, and Mexico, and concludes by recommending that the United States adopt policies to put an end to competition from the successful incorporation of new technologies into industrial development.

Ottinger introduces population legislation

Representative Richard Ottinger (D-N.Y.) introduced the Global Resources, Environment, and Population Act of 1983, a bill designed to establish a national goal and policy of "population stabilization," the first week in May.

An interagency council "directing, monitoring, and coordinating ongoing assessments of the . . . relationship between population, resources, and the environment, both at home and abroad . . . to enable the federal government . . . to tailor its policies and programs to suit shifting demographic patterns" would be created to enforce this population stabilization policy.

Sen. Mark Hatfield (R-Ore.) is introducing identical legislation. Last year both congressmen introduced similar bills, which went nowhere.

Ottinger's bill uses plain language. "It is the public policy of the United States that the federal government," it states, "use *all practical means*, including financial and technical assistance, to *establish and maintain conditions* which promote the achievement, at the earliest possible time, of national population stabilization in the United States . . . [and] to assure . . . in the administration of federal laws, regulations, and policies, and the planning and administration of the programs of the federal government, the goal of national population stabilization [emphasis added]."

Byrd's new response to Reagan defense policy

Senator Robert Byrd (D-W.Va.), Senate Minority Leader, called for a U.S. effort in research and develop-

ment of directed-energy weapons as the necessary prerequisite to negotiating an arms control treaty in space. Byrd's May 6 speech dropped the initial response of the Manatt Democrats to the President's March 23 proposal, the claim that beam weapons were fictional "Star Wars" technology.

"First, U.S. research and development funding for military space systems should be at a level where we can match Soviet capabilities in approximately the same time frame," Byrd stated, "This should help convince the Soviets to negotiate restrictions on the use of these technologies for military means.

"Second, we should offer to reopen the anti-satellite talks and extend them to include a ban on destructive space systems of any kind, and devices with a capability of upsetting the strategic balance, such as directed-energy satellites or ground-based systems aimed at satellites.

"President Reagan has made a very bold proposal regarding the use of new technology in the cause of peace. He has suggested that our inventive genius be put to work to make obsolete the awesome destructive power of nuclear weapons. He proposes to banish the nuclear genie from threatening our annihilation. This is a noble concept, a possibility which excites the imagination."

After listing the arguments against the President's proposal, Byrd said, "There are, of course, elements of truth in all these critiques. . . . But anyone who raises those arguments simply does not understand the rapid development of these technologies. . . . The Soviets have a very ambitious directed-energy weapons program—space-based laser satellites. They are ahead of us in this technology."

Byrd proceeded to ally with Sen. Malcolm Wallop (R-Wyo.) in opposing the President's proposal to explore

the possibility of sharing this technology with the Soviets at some point in the future.

Emergency farm credit passes the House

The House passed a watered-down emergency farm credit bill, H.R. 1190, on May 3 by a vote of 378 to 35, in an attempt to relieve the massive debt burden on the U.S. farm sector. This sector is suffering the highest bankruptcy and foreclosure rates since the Great Depression.

"For some farmers, the last few years have been an economic disaster," House Agriculture Committee chairman Kika de la Garza (D-Tex.) said when the bill was passed, "and we all realize that credit alone will not raise prices and incomes. But timely and compassionate use of credit may help some good, efficient producers hang on until the income situation improves."

One provision of the legislation allowed for loans which had been taken out from the Farmers Home Administration (FmHA) to be rescheduled or deferred for one year on a case-by-case basis. If a borrower can establish to the satisfaction of the Department of Agriculture that he, as a good farm operator, was unable to repay his loan because of "conditions beyond his control," and that he would be able to fully repay if a deferral were granted, he will qualify for debt relief under the new legislation.

However, the original legislation, sponsored by Rep. Ed Jones (D-Tenn.), the chairman of the Agriculture Subcommittee on Conservation, Credit, and Rural Development, and its ranking member, Rep. Tom Coleman (R-Mo.), would not have forced the burden of proving that he is credit-worthy on the individual farmer. This

bill would have provided more general and more accessible debt relief.

As a step toward ameliorating the credit crunch, which made loans for spring planting unavailable to farmers in many states, the House legislation authorizes an additional \$200 million in insured farm operating loans for FY83.

The bill also reactivated the Economic Emergency Loan program and required the federal government to operate the program through Sept. 30, 1984. A total of \$300 million in additional loans will be available for FY83, and \$600 million would be available for FY84.

How much debt relief is actually granted to farmers will now be largely a political question; the decision is in the hands of the Secretary of Agriculture. If the USDA does not take sufficient action, the Agriculture Committee may well have to mandate a new relief formula.

House Committee cuts \$300 million from defense

The House Armed Services Committee has reportedly cut \$300 million from the ballistic missile defense (BMD) program in the defense budget for fiscal year 1984. The committee report, expected to be released May 16, contains funding figures that run directly counter to President Reagan's March 23 policy announcement of developing directed-energy strategic defense systems.

The cut in BMD funding came as the committee marked up its authorization for FY84 and cut \$10.5 billion from the administration's defense budget. The cut allowed for a 6 percent rate of increase in defense spending after inflation, rather than the administration's request for 10 percent. A total of \$2.8 billion came out of

military R&D.

Committee chairman Rep. Melvin Price (D-Ill.), in a statement circulating within the committee, justified the action because of budgetary constraints, and said that BMD funding was cut "since there is no defined program for ballistic missile defense." One observer interpreted this as a reflection of Pentagon resistance to the strategic defense policy, as well as inter-service infighting.

Capitol Hill sources have indicated that the administration is planning to reprogram funds allocated for BMD research and development into developing directed-energy systems, without making requests for major net new funding. A \$300 million cut in overall funds at this time would jeopardize the acceleration of the directed-energy weapons effort.

Long and Tydings call for population program funds

Former Senator Joe Tydings of Maryland testified before the House Appropriations Foreign Operations Subcommittee May 10, attacking the Reagan administration for allowing no increase in funding for population control programs. Tydings singled out Turkey, Egypt, and Mexico as countries that desperately need to cut their population growth.

Subcommittee chairman Rep. Clarence Long (D-Md.) agreed with Tydings, stating he regretted the zero growth in funding for these programs. Because of "moral, religious," and other objections, he said, "there will be a tough fight in the committee on increased money and a close vote." Long added that he "would do whatever he could" to see that the additional population control funds were allocated.

A National Democratic Policy

Committee spokesman testified that his organization intends to see that Long loses his fight in the committee. The NDPC statement called on Congress "to cut all funding in all agencies of the government for population control efforts. . . . In addition, Congress must respond to the calls in the developing sector for a new international financial structure that would put President Franklin Delano Roosevelt's American Century policy into effect, calling for development, rather than reduction of, the world's population.

Reagan wins MX vote in Senate

The Senate Appropriations Committee voted 17 to 11 to approve \$625 million for engineering and testing the MX missile, after the President sent another letter to the senators who had attempted to force him to carry out the recommendations of the Scowcroft Commission by threatening to kill the MX program.

The President's letter of reply to Sens. Charles Percy (R-Ill.), Sam Nunn (D-Ga.), and William Cohen (R-Me.) was similar to generalized and qualified endorsements of the Scowcroft report sent May 12 to House members, with an additional and even more general endorsement of the concept of a "build-down" of nuclear warheads.

The "build-down" proposal called for by the Scowcroft Commission would require destroying two nuclear warheads for every new one deployed. But the President's letter endorsed neither the ratio nor a specific plan to incorporate the concept into the Geneva strategic arms talks, as demanded by Kissinger-Harriman forces in Congress.

National News

NASA discovers storm on Saturn

Saturn has thunderstorms like those on Earth, scientists with the National Aeronautics and Space Administration report.

In a paper to be published the week of May 9 in *Nature*, M. L. Kaiser and J. E. P. Courney of NASA's Goddard Center provide analysis of the very unusual radio static signals that both Voyager 1 and 2 received during their November 1980 and August 1981 encounters with Saturn.

According to the two scientists, the radio static came from a massive storm complex spread some 40,000 miles around Saturn's equator. A storm of this size would wrap around the earth 1.6 times. Winds in the storm region have been clocked at over 1,000 miles per hour.

With this discovery, Saturn becomes the fourth planet to exhibit some aspect of thunderstorms, joining the Earth, Venus, and Jupiter. However, none can rival the Saturn storm in size.

DARPA head shows amnesia on beams

Robert Cooper, director of the U.S. Defense Advanced Research Projects Agency (DARPA), did not mention directed-energy beam technologies once in his speech on defense research and development at the conference of the American Institute for Aeronautics and Astronautics (AIAA) at Long Beach, California May 10.

Rather than discussing what should be the leading edge of U.S. defense R&D, Cooper focused on secondary programs, such as the cruise missile, a latter-day version of the V-2 rockets used by the Nazi Wehrmacht at the end of World War II.

Following his address, the first questioner expressed surprise over Cooper's omission of any remarks on the new strategic doctrine that President Reagan announced March 23 and a national commitment to develop anti-ballistic missile defenses based on directed energy technologies.

Cooper answered, "Yes, you noticed I didn't say anything about Star Wars." He then weakly defended the program.

Coverup of Kennedy's drug role

Syndicated columnist Jack Anderson on May 10 named ranking Judiciary Committee Democrat Sen. Edward Kennedy as one of nine congressmen alleged by three different informants to be customers of a Capitol Hill cocaine ring. This was the second time Anderson listed Kennedy. Though no one has been indicted yet, the allegations have been made both before the House Ethics Committee and a Washington D.C. grand jury.

Anderson attacked the *Washington Post* for refusing in late April to run his original column naming Kennedy. Anderson stated that Joseph Califano, who is heading the House investigation, is running a frantic defense of Kennedy. As soon as the first column was published, Califano insisted that he could not find any evidence against Senator Kennedy. The evidence exists, according to Anderson, in Detective Michael Hubbard's sworn statements before an Ethics Committee session on Nov. 30, 1982.

The Justice Department also seems to have picked up the cue from Califano, said Anderson, with its spokesmen also announcing that Justice Department files contained nothing that would implicate Kennedy. The Department overlooked Hubbard's testimony before a Washington D.C. grand jury on Jan. 12, 1983.

Rep. Robert Dornan (R-Calif.) seconded Hubbard's testimony to the Ethics Committee on Kennedy's involvement, Anderson says.

TVA director repudiates energy-intensity

S. David Freeman, the director of the Tennessee Valley Authority (TVA), the depression-era agency responsible for "electrifying the countryside" and bringing large portions of rural America into the 20th century,

declared that the TVA is now committed to an anti-technology policy of "energy conservation" rather than development.

Freeman, who has headed the TVA since the Carter administration, was responding to an invitation by National Democratic Policy Committee to speak at its Knoxville conference on the strategic and economic implications of beam weapon technologies, held May 10.

"The TVA is for conservation, for building fewer power plants, and for renewable resources," Freeman stated. "We don't need power, we need to spend less on energy. The economy grows by customers spending less on energy. You are coming from the 1930s. This is no longer a Neanderthal agency. We have to end energy-intensive industries; we don't need smokestacks. The era of growth through energy-intensive means is over. . . ."

"This year the TVA will be 50 years old," Freeman went on, "and believe me, I have spent the last five and a half years turning this agency around. The TVA now has a policy of environmental sensitivity."

Jensen appointed to curb FBI

The White House appointed Lowell Jensen to replace the outgoing Rudolph Giuliani as Assistant Attorney General the first week in May.

According to reliable sources, Jensen's appointment is an indication that President Reagan is determined to curb the activities of the Federal Bureau of Investigation in operations such as Abscam and Brilab, both unconstitutional attacks on the legislative branch of government. Jensen's primary responsibility, the sources stated, will be to oversee and bring the FBI under administration control, and to prevent the FBI taking over the President's war on drugs program.

Just prior to Giuliani's Senate confirmation as U.S. Attorney for the Southern District of New York at the end of April, he had worked closely with Webster in planning the Bureau's domination of the Reagan-commissioned task forces to combat high-level drugs trafficking and organized crime. With Jensen, who is widely respect-

Briefly

ed in the law enforcement community, in charge of these operations, the FBI may be forced to take a back seat.

Efforts by the Drug Enforcement Administration's (DEA) acting administrator Francis "Bud" Mullen to place specially selected FBI agents into the Task Forces have been slow, a situation not likely to change as long as Mullen's confirmation as DEA head is stalled in Congress.

Mullen was Webster's deputy director at the Bureau prior to his deployment to the FBI-DEA when the agencies were merged in 1981. His appointment has been stalled at the request of Sens. Orrin Hatch and Edward Kennedy. Hatch and Kennedy have asked the Senate Judiciary chairman to hold up the confirmation hearings until a congressional report is completed on Mullen's handling of the background investigation of Secretary of Labor Donovan.

Sources say it was not until Webster, in defiance of the President's wishes, used the March 21 lifting of the Levi Guidelines to again make the Bureau a national police force, that President Reagan realized more control had to be exercised.

Reagan had specifically intended that the guidelines be lifted to ensure a viable counter-terror capability in the United States.

Capital Hill sources have reported that following Webster's testimony before the House Judiciary Subcommittee on Civil and Constitutional Rights on April 27, Congress is seriously considering cutting the FBI's FY 1984 budget requests. The Subcommittee was dissatisfied with Webster's answers on the Bureau's mode of operations.

Democrats debate future of blacks in party

Democratic National Committee (DNC) chairman Charles T. Manatt proclaimed in an interview with the *Washington Post* on April 28 that there would not be a black on a Democratic presidential ticket for many years to come. Manatt stated that Harold Washington's mayoral victory in Chicago would "take away some of the pressure" for a black national candidacy.

Both Ben Hooks, the executive directors of the NAACP, and John Jacobs, head of

the Urban League, also came out against a black presidential candidacy May 10, claiming that such a candidacy could knock out the most appealing Democratic candidate and re-elect Reagan.

Detroit Mayor Coleman Young, a reputed Mondale supporter, also took this position. Young is a member of the 25-person "black leadership family" which is discussing regularly whether to pursue a black candidacy in the Democratic Party.

Jesse Jackson, instrumental in the University of Chicago-spawned operations that are now dividing Chicago along racial lines, announced in a speech before the Washington Press Club May 10 that he too opposed an independent black candidacy. Jackson defended Manatt's statements and claimed that Manatt had been misquoted.

Others, however, were less satisfied with Manatt's announcement. "We knew the DNC was dead set against having to put a black on the ticket," said a political analyst affiliated with the D.C.-based Joint Center on Urban Politics, "but we were all pretty surprised that Manatt would just come out and say that publicly." Rep. Mickey Leland of Texas attacked Manatt's remarks as "racist" during a meeting of black Democrats in Houston on May 1.

The interview is but one of several recent moves in which the DNC chairman has faced off against black Democrats. It has been widely reported that Manatt's late support for Harold Washington had nothing to do with support for a black candidate, but was motivated by a desire to use Washington to break up the remains of the Democratic Party machine in Chicago.

At the Houston meeting Representative Leland addressed May 1, the main topic of discussion, aside from Manatt's racism, was the viability of a black candidate for President. But what emerged in the discussion was the more fundamental concern of those gathered: how to prevent the disenfranchisement of black voters.

At this meeting and at a gathering of the National Conference of Black Political Scientists, also in Houston, the discussion centered on how to prevent the DNC from using blacks in the primaries, only to ignore them as a political force at the convention, and on the question of whether, given that President Reagan may well win in 1984, blacks should be involved in the Republican Party as well.

● **JACKIE PRESSER**, the president of the International Brotherhood of Teamsters, has been invited to a White House state dinner for Ivory Coast President Felix Houphouët-Boigny on June 7. *Washington Post* political editor Lou Cannon, a good friend of Teamster witchhunter Walter Sheridan, leaked the invitation in his column May 10, noting that Presser's Ohio local remains under federal investigation for racketeering. A top Reagan aide replied: "Teamsters are always under investigation. Presser hasn't been indicted, and there are good reasons for inviting him to the White House."

● **THE FEDERAL** Circuit Court of Appeals for the District of Columbia on May 11 reinstated the Abscam conviction of former congressman Richard Kelley of Florida. A federal judge had tossed out the conviction on grounds of due process, expressing the view that Abscam was outrageous and illegal. Kelley's lawyers have moved for an *en banc* hearing, which would bring in all the judges of the Circuit Court to hear the case.

● **JAMES R. SCHLESINGER**, who ran the U.S. Defense Department on an "aura of power," repeatedly referred to himself as "a student of deterrence" when testifying at the May 11 hearings of the Scowcroft commission on the MX missile.

● **HENRY KISSINGER** recently joined the Council for International Understanding, an outgrowth of Moorhead Kennedy's Cathedral Peace Institute. The Council seeks to promote world peace by persuading Americans that the United States "shouldn't impose its solutions on the world," Kennedy, a former Iranian hostage, told *New York* magazine. Kissinger told him, Kennedy continued, that "Americans have to grow up about their international commitment."

Editorial

The causes of history

Patriots of all nations should draw a lesson from the long overdue discrediting of Britain's Lord Dacre, the historian Hugh Trevor-Roper, who had induced the London *Times* to pay a hefty sum for the so-called Hitler Diaries by swearing on his reputation as a historian that they were authentic.

Not only did the diaries, which have a very smelly trail leading back to Nazi "nostalgics" behind them, turn out to be as fraudulent as Trevor-Roper's reputation as a historian, but equally importantly, Trevor-Roper's reputation as a historian is as fraudulent as the poorly cooked-up Hitler Diaries. The significance of that is that Trevor-Roper has played a key role in hiding the roots of what was well known in the nineteenth century as the American System of political economy, the American System whose memory has survived in the United States mainly through the efforts of this magazine's founder, Lyndon LaRouche, and elsewhere through its energetic adoption by the Japanese.

The American System centers on a government policy of promoting technologically advancing industrial progress, through government-financed infrastructure projects, the granting of patents for inventions, and use of credit and fiscal policies to encourage productive investment in agriculture and industry by individuals. The roots of that outlook are deeply embedded in the Florentine Renaissance of Leonardo da Vinci and Niccolò Machiavelli, were shared by such northern European Renaissance thinkers as Erasmus and More, and flowered in the 17th century as the "mercantilist" policy of French finance minister Colbert and the "kammeralist" school in Germany, together with the Campanella school of political economy in southern Italy.

When Benjamin Franklin and the other American founding fathers found themselves forced to rebel against the evil policy of the British Empire, which forbade its colonies from all industrial development, they turned to the example of the "mercantilists" like Colbert, the Neapolitan school of political economy, and the notions of statecraft which had been developed

by the continental European thinkers from the Renaissance through Leibniz. Alexander Hamilton launched the young United States on its way to industrial greatness by emulating the conception of economics as the "science of technology" which had been inherited from the Renaissance humanists.

Trevor-Roper's career, from at least 1957 when he became Regius Professor of Modern History at Oxford, was built on covering up this reality. Trevor-Roper maintained that mercantilism was an austerity policy brought about when people in the mid-17th century realized they could no longer afford the luxurious courts and overblown bureaucracies of Renaissance humanism, and decided to make national economies "live within their means." His terribly British assumption is that technological progress, to expand the potential relative population-density by expanding the productive power of the economy, either does not exist or is insignificant. As for Renaissance humanism, it was to Trevor Roper a "failure," swept away in the tide of the inevitable Inquisition and religious reaction.

Nowhere in this version of history are there any fundamental causes, only a vague spirit of the times, and at most "structural weaknesses" which caused the state to collapse in the face of revolutionary tides. Trevor-Roper built his career analyzing the "general crisis of the seventeenth century" without ever mentioning the fact that the crisis culminating in the genocidal Thirty Years' War was brought about because a triumphant oligarchy engaged in the Venetian-modeled looting practices that then became the model of the British System of political economy so rightly hated by our founding fathers.

The victory of the Inquisition, the arm of the oligarchy, was no more inevitable than its revival is foreordained today. Trevor-Roper and the other false intellectuals who want to bring back Hitler would only make it so by blinding us to history. The first lesson of the Hitler Diaries Hoax should be to assume that every major premise of a decorated British historian is a lie.

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