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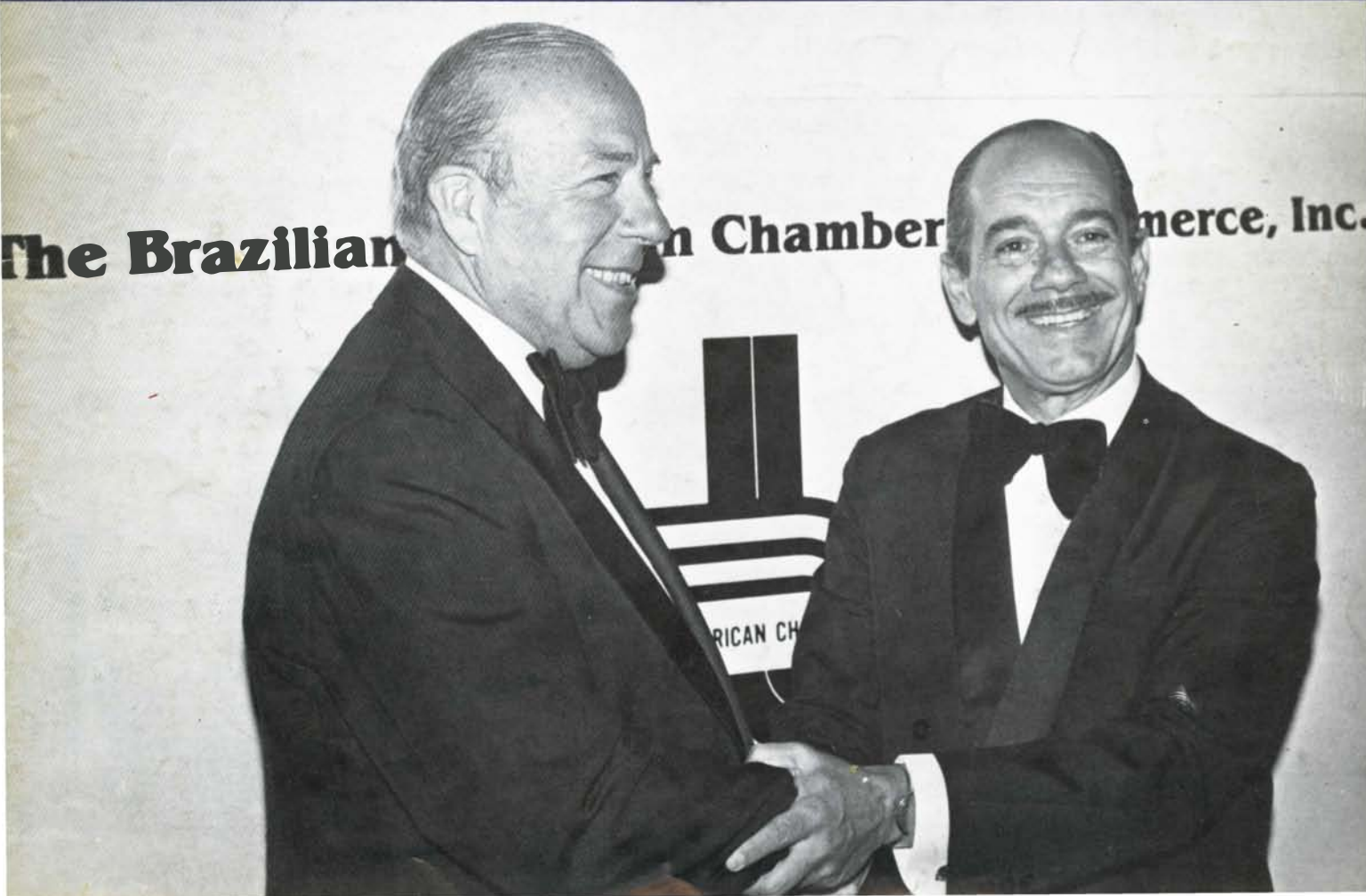
Executive Intelligence Review

June 21, 1983

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Executive Directors: Anno Hellenbroich, Michael

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In Mexico: EIR, Francisco Días Covarrubias 54 A-3

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Japan subscription sales:

O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160,

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EIR

From the Managing Editor

Through a combination of our reporters at the UNCTAD meeting in Belgrade, Hartmut Cramer and Edith Vitali, along with Buenos Aires correspondent Cynthia Rush and our Mexico City and Caracas bureaus, the Economics section of *EIR* elaborates on the news that Venezuela's foreign minister has called for joint action by the debtor countries to meet joint action by the creditors—a signal of how close Ibero-America is to carrying out the "Operation Juárez" proposal drafted by LaRouche. The Special Report in this issue provides an overview of the "debt bomb" conjuncture in the Third World and in banking capitals.

World reality today is defined by the June debt crisis, which *EIR* alone was able to forecast. Under these circumstances there is one policy that makes sense for the United States and its industrialized allies: prepare to negotiate a new world monetary system with the developing countries on the basis of a return to the American System economics of Hamilton and Lincoln, represented today by *EIR* founder Lyndon LaRouche.

Understanding the current economic and political situation requires scrapping the ideological encumbrances about "left" and "right" which delude otherwise responsible people into thinking the poisonously anti-American Adam Smith represents capitalism or that the major danger to the West comes from "communism." What we face is the actual challenge of fostering technologically advanced industrial progress through the institution of the nation-state, or surrendering to the advocates of a New Dark Age: the "Third Rome" ideologues in the Kremlin and their collaborators in the West, the post-industrial society faction.

Upcoming *EIR* issues will present further coverage of the economic crisis and the tremendous strategic implications of the ascendancy in the U.S.S.R. by the Third Rome policy. *EIR* has also just produced the June installment of Debt Watch, the country-by-country rundown on the status of the Ibero-American debt, and a Multi-Client Special Report on "Moscow's 'Third Rome' Conspiracy Behind the U.S. Peace Movement." You can purchase this intelligence by getting in touch with Peter Ennis or William Engdahl in our New York Special Services Department or your regional *EIR* representative.

Susan Johnson

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Stuart Lewis/NSIPS

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Debt issue erupts at UNCTAD meeting

by Hartmut Cramer and Edith Vitali in Belgrade

Expectations for success in reversing the world's deep economic depression were minimal going into the Sixth United Nations Conference on Trade and Development (UNCTAD) which convened in Belgrade, Yugoslavia on June 6. The just-concluded Williamsburg summit of the industrialized nations had avoided serious discussion of economic policy, and nothing better was expected from an UNCTAD conference, judging from the rhetorical nature of the previous gatherings of some 4,000 representatives from every nation on the globe, gatherings which have occurred every four years since 1959.

But the opening week of UNCTAD VI changed all expectations. Heads of state or delegations of such leading developing nations as Egypt, India, Brazil, Colombia, and Venezuela have joined in presenting specific proposals for a route out of the depression. Mammoth economic growth on a global scale lasting into the next century, they argue, must be powered by the industrialization of the South.

"For the first time in economic history, the developing sector can serve as the motor of growth for the world economy," Colombian President Betancur stated in a message sent to the conference. India's Prime Minister Indira Gandhi reminded the conference: "It has been said that the economies of some important countries are recovering. Not all share this optimism. I am amongst those who believe that no sustained revival in the North is possible without the development of the South. The world is too integrated to permit segmentation."

The developing sector's similar forcefulness on the need for sweeping institutional changes in the world's financial and monetary systems to accomplish such growth has caught the International Monetary Fund's austerity proponents by

surprise, and has been met with hostility by crucial representatives of the industrialized countries.

Overturing the grip of Adam Smith upon the industrialized sector will take concerted action on the part of the developing sector, most likely utilizing the "debt weapon." Action is not to be looked for from UNCTAD VI itself, but from the decisions taken privately among the delegates of developing countries' governments, mingling with such leading Ibero-American policymakers as SELA (Latin American Economic System) head Carlos Alzamora and former Mexican President Luis Echeverría, who are attending the Belgrade meeting, that will determine the actions taken in the immediate months ahead.

The new decisiveness of the developing sector leaders was summarized by Indira Gandhi in her address. "Are we not bound by a new kind of surrogate colonialism?" she asked. "Is it not time for us to pause from our daily concerns to ponder over the new dependency? Instead of reacting, should we, the developing, not think of acting on our own?"

'A world development bank and a billion jobs'

Speaking in the name of the nations of Africa, Egyptian President Mubarak delivered a stunning outline for how such a global development strategy could work, proposing the creation of a "world development bank" that could finance infrastructural projects across the developing sector—and provide a billion jobs in the process!

A revolutionary upsurge of the world economy can be generated "through the implementation of major development projects in the Third World, with participation on the

part of developed countries. Such projects could give tremendous boosts to the world economy," Mubarak declared. "The South should no longer be regarded as a mere source of raw materials, and markets for the consumption of manufactured goods; it should be treated as full partner in the process of development and economic recovery."

If "we have enough imagination and determination to accomplish major expansion and investments in a non-conventional manner," we can meet the "need for nearly a billion job opportunities from now until the year 2000," the Egyptian president stated.

"The required economic reform is a radical one," he acknowledged, and it requires "the creation of capable institutional frameworks. . . to provide the necessary infrastructure funding opportunities and available investment chances and the guarantee for such investments." To carry this out, Mubarak proposed "the international community adopt the idea of establishing a world bank for development, and to take concrete steps for the implementation of this idea."

The world development bank proposed by Mubarak complements the Indian government's efforts to organize a "conference on money and finance with universal participation" to negotiate a replacement system for the bankrupt Bretton Woods system, an idea adopted by 101 Non-Aligned nations at the New Delhi summit this March. In her speech at Belgrade, Indira Gandhi reiterated that the Bretton Woods institutions "were meant primarily to promote the interests of the advanced countries. The internal contradictions inherent in the system soon became apparent. This basic structural flaw distorts the functioning of these institutions. . . . What was initially supposed to be advantageous to the developed, but not specifically helpful to the developing, has turned out to be bad for both."

"Debt crises are there because private international banking, alert and sensitive as it is to opportunities for profitable recycling, cannot perform the function which, by its very nature, can be undertaken only by suitably strengthened international organizations dealing with problems of money and finance for a developing world economy," Mrs. Gandhi said. "Strong international organizations must be truly representative of the international community. To consider these matters, we have called for a conference with universal participation. The mutuality of interests of different nations and peoples must be fully recognized."

Mubarak's proposal also resembles the Global Infrastructure Fund plan issued by the Japanese Mitsubishi Research Institute several years ago, a proposal for the creation of a \$500 billion fund to finance the construction of 8 to 10 crucial infrastructure projects around the globe which could serve as the motor force for joint North-South development. The Global Infrastructure Plan has found sympathy among officials of Japan's Ministry of International Trade and Industry (MITI), which sent 14 delegates to UNCTAD VI. The comment by one well-informed Ethiopian delegate that the de-

Mubarak in Belgrade: 'a bank for development'

Below are excerpts from Egyptian President Hosni Mubarak's address to the UNCTAD VI conference in Belgrade.

[The post-war period] witnessed major changes in the world, resulting from the scientific and technological revolutions which made our world a single entity. . . . the world in general witnessed a period of unprecedented boom and the standard of living in developed countries marked a considerable rise. However, such major changes, rooted in the industrial and scientific background of the developed countries, have no parallel in our developing world. The problems of developing nations as a whole remain unsolved. . . .

Dear friends, the major objective to which our efforts should be directed in the coming stage should be the realization of a big upsurge through the implementation of major development projects in the Third World with participation on the part of developed countries. Such projects could give tremendous boosts to the world economy. . . .

The world needs nearly a billion job opportunities from now and until the year 2000. Now, it may be asked, how could such a huge number of job opportunities be secured unless we have enough imagination and determination to accomplish major expansion and investments in a non-conventional manner. The developing countries have tremendous natural potentialities hitherto untapped, and this affords the North an opportunity to participate in the process of developing the South, while the latter would become a basic factor for the achievement of world prosperity. The South should no longer be regarded as a mere source of raw materials, and markets for the consumption of manufactured goods; it should be treated as a full partner in the process of development and economic recovery.

Increased production and accelerated growth in the world can be achieved through major development projects at regional levels in developing areas. . . . But they require above all the creation of capable institutional frameworks which must undertake the conduct of feasibility studies to determine which areas would be the most appropriate for the implementation of such projects and to provide the necessary infrastructure funding opportunities and available investment chances and the guarantee for such investments.

. . . I believe it is high time for the international community to adopt the idea of establishing a world bank for development, and to take concrete steps for the implementation of this idea, as well as the idea for the establishment of the Bank of the South which we have proposed at the New Delhi Non-Aligned summit. Participation in this bank should not be confined to developing nations and must be open for participation by all countries.

veloping sector regards Japan as "an asset" in the current world situation indicates the appreciation Japanese support for an industrialization approach has gained.

The IMF holds on

Those who intend to use the debt crisis to enforce "controlled disintegration" in the advanced sector and the Third World energetically reject such policy proposals. Exemplary was West Germany's economics minister, Otto Graf Lambsdorff, who on behalf of the European Community stated categorically that the "competence and autonomy of the Bretton Woods institutions must be preserved."

The fragile argument used by the IMF supporters at the conference is that UNCTAD VI is not the appropriate forum to discuss changes in monetary policy; such debates should take place only inside the IMF or World Bank.

Much publicity is being given as well to "clever" proposals for a "Bretton Woods II" Conference. "Bretton Woods II" is the catch-phrase given by those proposing to "reform" the IMF, not abolish it or the policies it has advocated. Under such arrangements, emanating variously from such circles as New York banker Felix Rohatyn, the Brandt Commission, and sections of the British Commonwealth, payment on debt might be stretched out, but no adequate credits for development would be scheduled.

Robert Muldoon, the prime minister of New Zealand, endorsed such a new Bretton Woods system a year ago, he reminded people in his speech at Belgrade. Since then, he claims to have gained the support of Canadian Prime Minister Pierre Trudeau, who, Muldoon said, is "ready to be convinced," and British Prime Minister Margaret Thatcher, who "will move at the right time." He further disclosed that Italy "will definitely come," especially representatives of the top-level private sector. Japanese banks and the international banks in general, predicted Muldoon, will come around to the idea of a Bretton Woods II conference. "The only problem is the United States," he complained.

"The IMF should provide long-term money supplies, but coupled with direct control over the national economies for several years to oversee structural changes," Muldoon elaborated. "Principally there is not very much wrong with the IMF," he went on, implying that the main problem is its lack of "surveillance" powers over advanced-sector economies.

Confronted by *EIR* correspondents with the fact that his proposal is not a reform, but just a bailout of the big banks; he nearly exploded. "I don't like the term bailout. It has an emotional touch. That is the problem with the U.S. Congress. They see Bretton Woods II proposals as a bailout scheme for the big banks, and therefore they don't support it."

The unified approach presented by the key leaders of the Southern nations thus far, however, has shaken apart the foundations of those pre-planned strategies of argument on behalf of the IMF, sending their authors back to the drawing boards. Officials of the West German economics ministry were overheard commenting in the halls that they have sent

for new instructions from their capital, since the calls for a new monetary system have been so strong and numerous that they feel very isolated. "We can't stick to simply saying 'no' for four weeks!" they exclaimed.

The debt weapon

With June as the month for a showdown between Brazil and the IMF, the prospect for a total repudiation or moratorium on the \$90 billion of debt owed by Brazil is increasing daily (see Special Report), despite strong denials by Brazilian officials.

Though cautious in tone, the message delivered to the conference by Brazil's foreign minister, Saraiva Guerreiro, was unmistakable. "The IMF cannot impose a medicine that will kill the patient," he said at a press conference. He added: "Brazil has the intention to not default, but nobody can foresee what will occur if the situation deteriorates. A default would be a defeat for Brazil, but also for the creditors." Asked what the Brazilians think about forming a debtors' cartel, Saraiva said, "There are two levels involved. The rules for debt renegotiation should be collectively discussed among the debtors, whereas the technical negotiations should be carried on by each country separately."

In a separate interview with *EIR*, Saraiva Guerreiro warned that while Brazil is committed to meeting its debt payments, there are "physical" limits to austerity, and Brazil's debt cannot be paid at the expense of "dismantling the productive apparatus of the country."

Venezuela's foreign minister, José Zambrano Velasco, used his speech to place on the table the possibility of a unified position of the debtors to force the North to negotiate conditions. "The creditors have organized themselves to coordinate their efforts; therefore, it is only logical that the debtors do what is necessary to coordinate their positions," Zambrano told the delegates. *EIR* learned that the British-run UNCTAD bureaucracy applied major, last-minute pressure to Zambrano to get him to change precisely this phrase in his speech, and that when they failed, they simply blacked out distribution of the speech in Belgrade! *EIR* obtained excerpts of it only from stories carried in the Ibero-American press.

Intense discussions continue in the halls of the conference. Yugoslav officials are meeting frequently with their Brazilian and other Ibero-American counterparts, and the Asian countries, led by India, are actively taking part in these deliberations on the question of debt and a new international monetary system. Inside the Brazilian delegation, there are heated discussions underway on whether the country should go for a debt moratorium.

Prime Minister Gandhi, asked at a press conference whether she would support the formation of a debtors' cartel, responded by saying, "So far, this has not been formed. If such a situation arises, we'll have to see what to do." A member of the Argentine delegation said smilingly, "Argentina does not yet support a Brazilian moratorium. But that could change tomorrow."

Rising U.S. interest rates belie the economic recovery

by Richard Freeman

The six-month Treasury bill rate hit its highest level of the year on June 7—8.87 percent—en route to what many Wall Street analysts are predicting will be a 10 percent level by the end of the summer. The June 7 rate is the highest of the year. As *EIR* predicted in April, U.S. interest rates were artificially depressed by Federal Reserve Board money printing for an interval, before moving up past March's previous high point.

For President Reagan, the rise is the wrong thing at the wrong time. Increasing rates will crush a very fragile economic "recovery," a so-called recovery which is still 25 to 40 percent below 1979 output levels. Desperation buying by consumers, which has increased household appliances sales for the first five months of the year at a 26 percent annual rate above 1982 levels, will be shattered. Home sales, which have fallen for the past three months, but are still one of the elements of the "recovery," will fall further and much faster. A short-term interest rate increase will put an end to whatever long-term borrowing by businesses has taken place. In short, it will destroy the President's dream of riding an economic recovery, however anemic, into a second four-year White House term.

Moreover, there are several strategic issues, including European support for the President's emplacement of Pershing II missiles in Europe, which are bound up with interest rates staying relatively low.

But if the President chooses to forestall rate increases, in the "tight versus loose money" atmosphere in which American Presidents have allowed themselves to be maneuvered during this century, his only alternative would be to order the Fed to accommodate greater money printing. Neither tight nor loose money works per se—only a *directed* credit policy favoring productive industry can succeed. Loose money now will just finance debt refinancing and the burgeoning government deficit.

At the moment the President has a domestic dilemma which the gnomes of Switzerland, starting with Bank for International Settlements head Fritz Leutwiler, would love to exploit.

Up, up and away

The interest rate level in the United States is currently set

at an artificially high level. And, starting at that level, under current policies there is little that can be done to prevent them from moving higher. The reasons for this are fairly clear. First, there is a U.S. budget deficit that is running out of control. Whereas in April of 1982—the month in which taxes are collected—the nation ran a monthly federal budget surplus of \$7.3 billion, this April it ran a deficit of \$3.5 billion, the first such deficit since 1963, because *tax revenues were running 20 percent below last year's levels*. This means that the recovery is a chimera: revenues are falling because taxable wages and profits are falling.

Corporations have borrowed heavily in the first five months of the year via the long-term market—\$23.6 billion compared with \$9.3 billion for the first five months of 1982. Along with increased consumer demand for funds to buy bare necessities, this pushes the cost of funds—hence interest rates—upward. Most of this funding is to pay off interest debt service or attempt to convert short-term debt into long.

Normally, relief for the U.S. budget deficit might be found in purchase of U.S. government securities from the Arab world. But for this year, banking sources estimate that the Organization of Petroleum Exporting Countries (OPEC), on account of falling oil prices, is running a \$35 to \$50 billion deficit. One New York bank estimates the deficit at \$53 billion. The leading OPEC nations are either not buying or selling off their holdings of U.S. Treasury securities.

OPEC nations are also withdrawing their deposits from Eurodollar banks, putting extreme pressure on these banks to get new deposits. The scramble has led these banks to raise interest rates, sending the three-month Eurodollar rate up 40 to 50 basis points since the start of June. The Eurodollar rate helps pull up U.S. domestic rates.

Another feature influencing Eurodollar rates, and hence exercising an upward pull on American rates, is the flight capital leaving Latin America and Europe for the United States, at an estimated level of \$50 billion this year. By depleting deposits in the Eurodollar market, this invites banks to raise interest rates to attract funds. A spokesman for one of New York's top five banks told *EIR* June 8, "the funding crisis and flight capital will continue to send interest rates in the Eurodollar market higher and push up U.S. rates."

Third, there is the demand for credit tightening from the Swiss-based Mont Pelerin Society's men. The monetarist crew around the President, such as the CEA's Martin Feldstein (as well as Treasury Secretary Donald Regan, who on May 30 called for halving money supply growth), demands credit tightening at the exact moment that interest rates have been moving higher. That would send interest rates through the ceiling and blow out the U.S. credit markets.

In this conjuncture, the President finds himself attempting to get rid of Federal Reserve Board chairman Paul Volcker, whose term expires the first week of August. Volcker is reportedly still being considered for reappointment, but one unidentified Treasury official—widely believed to be Donald Regan—told the international press at Williamsburg May 31, that "Volcker should not be reappointed."

The Swiss gnomes are putting President Reagan into a box from which he can't escape without perceiving that the choice is not between 'tight' and 'loose' money, but between direction of credit according to the wishes of the central bankers, and direction of credit according to the needs of industrial and military strength. The latest rate increase is part of the patient Swiss game of ruining the United States as anything more than a 'buy-up-cheap' arena.

While the President clearly can call the shots on Volcker, there are threats from international banking sources to the President that if Volcker is not maintained there will be a financial crisis. If this blackmail doesn't succeed, the choice most often discussed to replace Volcker is Alan Greenspan, former CEA head under Ford, and a board member of Morgan Guaranty Bank—a selection that would be as dangerous to the country as Volcker himself (see article in National).

The wily Swiss

Swiss financiers are immensely enjoying the President's

economic discomfiture.

The Swiss are exercising two options. First, they plan to do everything possible to keep U. S. interest rates high. Just as high interest rates can make the dollar strong by attracting investment into the dollar, the strong dollar's relative attractiveness can raise dollar-based interest rates. The Swiss are boosting the dollar by pushing the price of gold down.

In this process, the Swiss are collaborating with their favorite friends of late, the Soviets. According to one top-level source, the Soviets are dumping large amounts of gold onto the Swiss market, thus depressing the price at a time when global instability would normally raise it. This Soviet gold-selling is taking place through Geneva. Thus, gold fell below the \$400 "psychological barrier" on June 9, pushing through several "stops" set in the market. As frightened novices bail out of the gold market, the Swiss will corner the metal.

The falling gold price, helping the dollar rise, also, among other things, puts tremendous pressure on the French franc, which fell to 7.70 to the dollar June 8. One Swiss banking source reported that same day that "France's financial and political institutions are on the verge of disintegration." This could obviously undermine French Socialist President François Mitterrand, who surprised everyone, including some of his own countrymen, by breaking profile and strongly backing the U.S. President's defense strategy at the Williamsburg summit. The Swiss would dearly love to undermine that support for Reagan.

Bundesbank head Karl Otto Poehl has attacked high U.S. interest rates for potentially aborting Germany's economic recovery as well. This becomes a strategic issue for the President. Reagan needs West Germany to back him on the placement of Pershing II missiles in Germany this fall, and cannot afford to antagonize Germany on the economic front.

Above and beyond these maneuvers, the Swiss are contemplating with pleasure the kind of financial and political crises that will wreck the Reagan presidency. A source at Lombard Odier, top bastion of the Swiss oligarchy, boasting June 9 that "a strong dollar will push up interest rates," added: "The only thing that Reagan can do is to let M-1 go up in smoke in an attempt to bring interest rates down," which would create a monetary explosion and infuriate Reagan's so-called conservative base.

Ultimately, the Swiss are preparing for a 1929-32-style banking crisis that will leave none of the major American financial institutions standing, except those that the Swiss choose to buy up for a dime on the dollar. The Lombard Odier source not only predicted that the world financial system would collapse, but stated that in the event of a Brazilian debt moratorium, which he views as likely, "The Swiss would benefit, because we have good trading relations with Brazil and would continue to have them." Thus, once American banks are blown sky high, the wily Swiss "allies" would conclude deals, after stepping over the American debris.

Japan's JAPIC public works programs build infrastructure for future growth

by Daniel Sneider in Tokyo

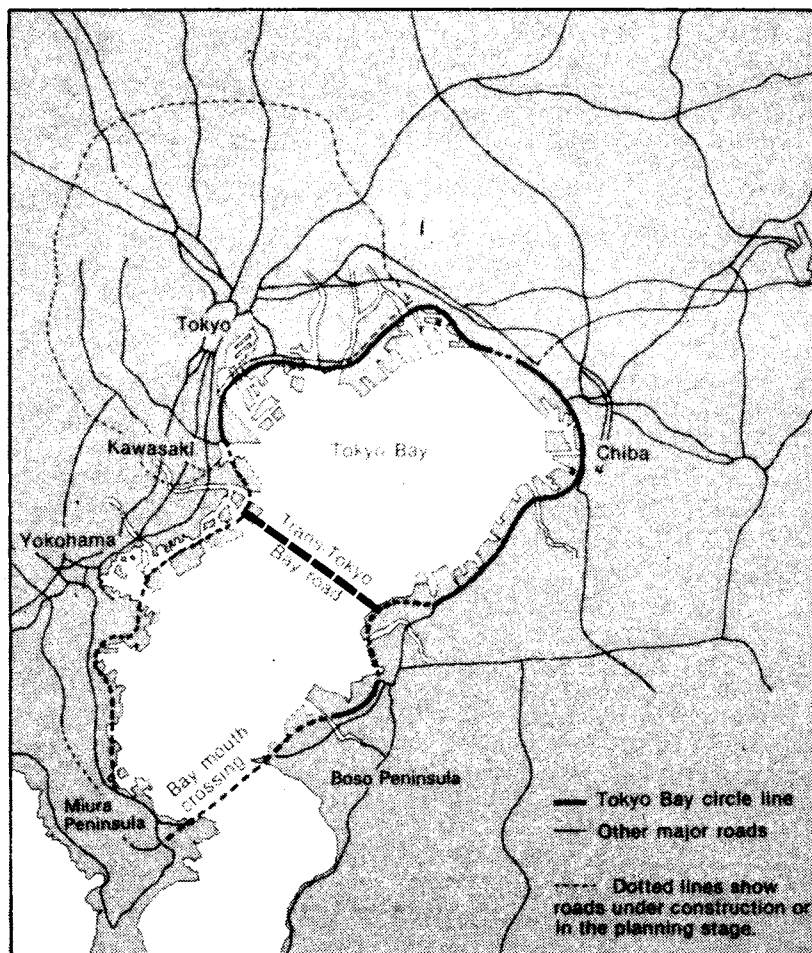
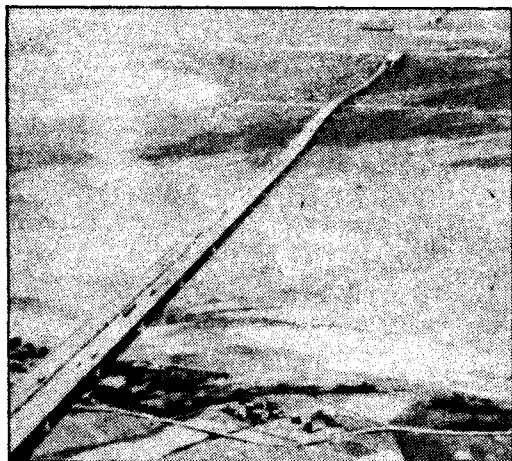
Large-scale public works construction projects in the United States almost immediately bring to mind the image of the pork-barrel project, slipped through Congress without much thought and fought over by various companies for the juicy contracts involved. Here in Japan, public works projects, like everything else, are done in a highly organized fashion. Large public works projects are discussed thoroughly, until

fabled "consensus" is reached between various government ministries, engineers and technocrats of the bureaucracy, and the private sector companies.

It is this approach to public works which is evident in an organization founded in 1979, and just recently given government-approved status—the Japan Project-Industry Council (JAPIC), a private body composed of industry associa-

Plan of Tokyo Bay Circle Line

At right, the location of the Tokyo Bay Circle Line, one of JAPIC's projects, which will provide a new transport link for the world's most heavily populated urban area. Below, an artist's depiction of the 15-kilometer road, shown on the map, for which an unusual combination of underwater tunnel and bridge is being considered.



tions covering the steel and construction industries. JAPIC is headed by Eishiro Saito, the president of Nippon Steel, the largest steel company in Japan. It has the aim of promoting large scale infrastructure projects in Japan, like dam and water development projects, bridges across Tokyo Bay, or a new international airport for Osaka. The organization was founded with the slogan, "Higher aboveground, deeper underground, and farther offshore."

JAPIC is largely an effort of the steel industry, which aims at stimulating domestic demand for steel and other construction materials through such projects, particularly under the present conditions of economic slowdown in Japan. As Kiyoshi Hasegawa, the managing director of JAPIC explained, JAPIC is the brainchild of the Kozai Club, the association of Japan's iron and steel producers and traders. The main role of JAPIC is to promote these projects, through public relations campaigns, and through coordination with various government ministries, like the Transportation, Construction, International Trade and Industry, and the Land Development Agency. One of the organization's founding documents stated: "For Japan, which is a small country with a large population, to provide prosperity and vitality in the lives of all its people in the 21st century, it is very important to plan and implement construction projects of sufficient magnitude to achieve effective land use and improved infrastructure." The main concept is that such large-scale infrastructure projects are key to the growth of the economy and that, in typical Japanese style, the private sector should work with the government in pushing them forward. JAPIC's promotional literature states that such large infrastructure projects are "needed to accommodate the population growth expected in this century."

The importance of large infrastructure projects is also the core of the proposal by the Mitsubishi Research Institute's M. Nakajima for the formation of a Global Infrastructure Fund (GIF) to promote such projects internationally. Not surprisingly, Nippon Steel's Saito is a big supporter of the GIF, and as Hasegawa put it, "JAPIC is the domestic equivalent of the GIF." JAPIC has, among its various subcommittees such as Urban Development, Water Resources Development and other committees, an "international projects" committee which is promoting GIF-type projects such as the construction of a second Panama Canal.

Some domestic critics of JAPIC, like the Japanese Communist Party, see it as a cynical effort to "make profits" off government projects. Hasegawa points out that these are long-term projects, taking a decade or even longer, which will not produce immediate profits for the steel and construction industries. The immediate goal, he said, is to get feasibility studies done, which the private sector is willing to help finance. As he sees it, the cooperation of the private sector with the government is necessary to "revitalize the economy" and the projects will result in a growth of tax revenues for the government, a stimulation of domestic demand, and of course, profits for private industry. In an era of "shrinking govern-

ment," a goal in Tokyo as well as Washington these days, Hasegawa sees such private sector roles in promoting public works as absolutely necessary.

The membership of JAPIC is large, encompassing many companies from the construction, steel, construction machinery, cement, and trading fields. Companies in those fields are themselves already organized in industry associations, such as the Kozai Club (122 companies), the Japan Dam Association (170 companies), and the Japan Construction Mechanization Association (318 companies). Overall, there are some 1,070 companies represented by JAPIC. The organization has officers who are elected at JAPIC conventions. The JAPIC board of directors selects the chairman and vice chairman from the board.

From there, the organization is broken down into committees, which are constituted to promote projects in specific areas. One hundred and fifty representatives from the JAPIC membership serve on the organization's six committees and 10 working groups. Once a project has been agreed upon, the JAPIC conducts research and development studies, submits proposals to the government based on the R&D studies, and conducts public-relations campaigns.

Key projects

The JAPIC is particularly proud of two projects that it is actively promoting—an integrated water-use program for the Tokyo region, and a superhighway circling Tokyo Bay.

- **The Integrated Trans-regional Water Utilization Plan.** JAPIC says that three factors have combined to make it necessary and possible to construct a comprehensive water utilization plan for the Tokyo region. First, large quantities of water of Japan's longest river, the Shinano River, flow into the Sea of Japan during the spring and flood seasons, and this could be used for consumers and industry. Second, advances in civil engineering have made possible the construction of dams required to use the Shinano waters. Third, Japan's expensive electricity could be used in non-peak hours to pump the water.

The plan proposes to link the Shinano River to the Tone River in Kanto, pumping up some 1,000 million tons of surplus water to Japan's largest rock-fill dam, to be built in the mountains.

- **The Tokyo Bay Circle Line.** Along the coast of the Tokyo Bay are the cities of Tokyo, Yokohama, Kawasaki, Chiba, and Yokosuka, with the world's heaviest population concentration, almost 29 million people.

"The Tokyo Bay Circle Line," says JAPIC literature, "is a route looped like the figure 8, consisting of a 160 km-long 'Tokyo Bay Road' running along the coast, a 15-km 'Trans-Tokyo Bay Road' crossing the middle of the Bay by means of a bridge, an artificial island and an underwater tube, and a 'Bay Mouth Crossing.' . . . This Tokyo Bay Circle Line will efficiently link the cities, ports, and reclaimed areas along the coast of Tokyo Bay to facilitate the smooth flow of passengers and commodities."

'Into the financial maelstrom'

Washington correspondent Stanley Ezrol attended the Council of the Americas conference, and found a state of alarm.

Leading bankers, economists, and U.S. government officials invited to address David Rockefeller's Council of the Americas annual conference at the State Department June 2 warned that without drastic policy changes, the Latin American debt bubble will explode, triggering a global financial crisis, possibly by the end of this month. Few conference attendees believed at the end of the day-long session that any credible means for averting disaster had been presented.

The mood of desperation surrounding the conference was apparent before it began, when the Council-affiliated Americas Society Commission on the Public Policy Implications of Foreign Debt canceled a scheduled June 1 press conference after a difficult morning session. Commission staff nervously told reporters as they arrived that the conference was canceled because members had to leave for a White House reception which was to take place three hours later two blocks away. But I found distraught Commission members meeting in small groups in various rooms of the International Club, the planned site for the press conference. Council President Russell Marks told me he didn't know anything about a planned press conference on debt.

Later that evening, Council Chairman Rockefeller erupted from a lavish State Department reception he had hosted, to greet the conference. When I remarked that Rockefeller would be unable to afford another affair like this one after the "debt bomb blows," his bodyguard harshly ordered me to "take a walk" out of the elevator we were in. According to the *Washington Post*, Rockefeller later confirmed the accuracy of my assessment. He was so unsettled that twice during the following day's event his personal staff tried to have me ejected from the State Department auditorium.

Mega-accident

During the conference, the possibility of a debt blowout triggered by a Brazilian default or moratorium was the major topic of conversation. Clyde Farnsworth of the *New York Times* told the group that the spectre of Brazil had also haunted the heads of state meeting at Williamsburg the previous weekend. Farnsworth said that at the summit table there was an empty seat for Brazilian President Figueredo. He also reported that when Italian Premier Amintore Fanfani was asked if "Brazil stood at the gateway to the abyss," he replied, "Brazil is bigger than the abyss."

Jeffrey E. Garten, vice-president of Lehman Brothers

Kuhn Loeb investment house, introduced a panel on trade and investment by saying, "The recovery is in doubt. . . . Development in Latin America is dead in the water. . . . In Brazil, many people would not be surprised if a unilateral debt moratorium were declared."

Robert Lorenz, senior vice-president of Security Pacific National Bank, described the current crisis as a "mega-accident," and announced, "The post-World War II growth has come to a stop and it's not going to resume without resolving the debt problem. . . . The Eurodollar market is closed to the South American borrower and it will not re-open until the refinancing process is over." Unless the crisis is resolved, he warned, "we are going to have serious problems by the end of June. . . . This is too big for the international banking community to solve." Charles E. Lillien, vice-president for finance of the First Boston Corporation, described the "bridge loan" agreements reached between the International Monetary Fund, various debtors, and the U.S. Treasury as a "Rube Goldberg device," and said that "only when the crisis gets hot enough" can a permanent solution be agreed upon.

Although he insisted that a solution was immediately available through agreements to share the losses stemming from freezing half of the outstanding debt and sharply reducing expected interest income on the rest, he warned, "If people don't get off their duffs pretty quickly, we may plunge into this goddamned financial maelstrom."

Arithmetical impossibility

Several speakers claimed a solution to the crisis was theoretically possible based on measures to "stretch out" the debt, while new credit is supplied through the IMF quota increase agreed to last winter, but it was pointed out that these measures are politically unlikely or impossible to achieve. Pedro Pablo Kuczynski, a former Peruvian economic policy official who is now president of First Boston International, explained that the problem is that bureaucrats such as himself with degrees and "accents" from such institutions as Exeter College (Oxford) and Princeton University can prescribe "painful" austerity programs for Latin American governments, but "what happens then? They don't last very long." He concluded that a major crisis was in store, "I see the handwriting on the wall. We better get our house in order to face that eventuality."

Lorenz described the predicament of three of his friends

who are Ibero-American financial officials who have recently negotiated austerity programs with the IMF, but who now realize that resolving their liquidity problems through these programs is an "arithmetical impossibility." He said that the assumptions on future projections for advanced sector growth rates, interest rates, commodities prices, and other factors which would have to be made to project success through these programs, are "absurd." He said his friends are terrified of what will happen to them when they present the results of these calculations to their governments. "What are these politicians going to do when they see there is no way out of the austerity plans?" he asked.

Congressman James Leach (R-Iowa) explained that there are also serious obstacles to the implementation of the IMF bailout strategy in the United States. He said that the Congressional appropriation for the IMF quota increase, which all speakers agreed is absolutely essential to avoid a blow-out, was "extraordinarily in doubt." He said that the Democratic majority in the House of Representatives would not back the plan unless President Reagan ostentatiously identified himself with it in the mind of the public so that he can take the blame for its expected failure. Even then, he warned, there might be so many "pounds of flesh" demanded in exchange for the bail-out that it would be deemed unacceptable by the administration.

With the Williamsburg summit over, even spokesmen for the State and Treasury Departments, which had previously blithely claimed that the alleged "U.S. recovery" had, in the words of George Shultz, "defused the debt bomb," sounded

ominous tones. Undersecretary of State Lawrence Eagleburger, speaking from a text originally prepared for Shultz, said that the problem could be resolved "if [the Ibero-American nations] make the necessary adjustments."

As noted above, most speakers agreed that is an unlikely condition. Assistant Secretary of State for American Republic Affairs Thomas O. Enders said of the debt crisis, "We're not at all out of the woods. Much that has been accomplished so far could still be lost." Although Shultz and Treasury Secretary Donald Regan have consistently claimed that the debt crisis would be solved by an increase in exports made possible by the "recovery," Enders said that due to the depth of the crisis, "An export-led strategy would fail in Latin America." Assistant Treasury Secretary Marc E. Leland insisted that the current mechanisms could succeed only if three highly unlikely conditions are met. First, the IMF quota increase must be passed. Second, IMF austerity programs must be accepted, and, third, the nations accepting them must be politically able to implement them.

Even Treasury Secretary Regan insisted that only the politically impossible abandonment of national policies limiting the power of foreign investors can resolve Ibero-America's current liquidity crisis.

Perhaps most ominous of all were repeated warnings that the current situation would lead to renewed political instability in the region. Richard Newfarmer of Robert S. McNamara's Overseas Development Council referred to a series of riots in São Paulo, Brazil, and the terrorist bombings in Peru as "symptomatic of things to come."

EXECUTIVE INTELLIGENCE REVIEW

Special Technical Report

BEAM WEAPONS: THE SCIENCE TO PREVENT NUCLEAR WAR

by Dr. Steven Bardwell, director of plasma physics for the Fusion Energy Foundation.

This report includes:

- a scientific and technical analysis of the four major types of beam-weapons for ballistic missile defense, which also specifies the areas of the civilian economy that are crucial to their successful development;
- a detailed comparison of the U.S. and Soviet programs in this field, and an account of the differences in strategic doctrine behind the widening Soviet lead in beam weapons;
- the uses of directed energy beams to transform raw-materials development, industrial materials, and energy production over the next 20 years, and the close connection between each nation's fusion energy development program and its beam weapon potentials;
- the impact a "Manhattan Project" for beam-weapon development would have on military security and the civilian economy.

The report is available for \$250. Order #82007
For more information, contact William Engdahl
or Peter Ennis, EIR special services,
(212) 247-8820.

'Industry transforms the population'

Gerd Niemeyer, a chemist from the West German city of Hannover, worked for many years as a consultant on industrial projects in Brazil. Mr. Niemeyer is a member of the board of the Club of Life.

In his speech to the founding conference in West Germany of the Club of Life, in the city of Karlsruhe May 28, Mr. Niemeyer spoke on the theme of "The Interest of German Industry in Development Projects—The Example of Brazil."

The following interview was conducted by *EIR* correspondents Aglaja Corleis and Andreas Buck at the Karlsruhe conference.

EIR: Mr. Niemeyer, could you report to us a bit about your proposed project for the development of the northeast of Brazil?

Niemeyer: I proposed this project at the Club of Life conference in Hamburg, after I had heard about the Mitsubishi plan—not that I see this project as more important than other projects—in order to show how, with the consistent application of modern technology truly huge areas, that otherwise tend toward desertification and total devastation, can be turned, with relatively small means, into productive agricultural terrain. I also wanted to use this example to show how such a project almost automatically brings with it industrialization and infrastructure development—and this means medical care, schools, culture in every form. I have been inspired by what I have seen in São Paulo, how once industry came in, the population was transformed in a very brief period, how the pessimists, who always said that this would take a few generations, were proved wrong. Take for example medical care. In the developing countries, where some infrastructure exists, this is not a problem, particularly where foreigners come in and introduce medical care themselves. It works if the prerequisites are there—agriculture, so that people can eat, and industry to produce and sell. To put it crudely, where there is money to be earned, then there will automatically be a chance for more than a small select group to become educated; universities will be founded where young people can study, so that they will be equipped to deal with these development tasks.

EIR: You have indicated that in the northeast of Brazil there are abundant water resources not far beneath the surface. How large are these resources, and would they provide, in your estimation, more than a short- or medium-term solution?

Niemeyer: I am no geologist. People who understand this better than I say that there is an entire ocean under this large

region, and the experts see the only difficulty in the lack of energy to bring this water to the surface where it is needed. On commission from a member of the government of the state of Pernambuco, I conducted a little study to show how the application of energy could solve this problem. If electrical energy were produced and transported, and if enough pumping systems and systems for horizontal displacement, that is for irrigation, were supplied, the problem could be solved over the short term.

Apart from these underwater streams there is the Rio São Francisco—you know the Brazilian rivers all have very abundant water-flows. There are also plans to build a canal from the rivers to this dry region. But for me this is only a half-measure, since there would then be water in the canal, but three meters away, nothing. The same problem is posed here, which is the problem of the lack of energy.

EIR: Are there people in the Brazilian government who are thinking in this direction?

Niemeyer: For many years there has been consideration within the Brazilian government about how poverty in these regions can be overcome. At the moment, money is being dispensed to alleviate the greatest need. But this heals the symptom, not the disease; nothing is changed, and every year more people emigrate from these regions since they can no longer endure it there. They come to the big cities, particularly to São Paulo, since they have heard all kinds of wonderful things about it, that the streets are paved with gold. But of course they are not trained for the work that they expect to find in São Paulo. The city continues its tremendous growth—every year the city grows by 100,000 inhabitants. So these people have no real chance and have to live in the so-called *favelas*, which you have all seen pictures of, under the worst hygienic and other conditions.

The Brazilian government is trying to do something, but the means are lacking, and there are also, naturally, circles in Brazil itself who resist this, and who talk about an *Industria de Seca*—which literally translates as "industry of drought," which means that there are some people who benefit from the fact that every year the government spends huge sums to alleviate the need of those living in the dry regions, while help by no means always reaches those who most bitterly need it.

The most important thing is that not only this project, but also many other structural improvement projects, cannot be taken on as long as the countries in the developing sector are prevented from doing so, and are forced toward a very steep

recession by the high-interest-rate policies and the other causes we have discussed here today. This is where the real evil lies.

EIR: What possibilities do you see that the Federal Republic of Germany could participate in such great projects?

Niemeyer: Naturally it is conceivable that, for example, an organ of the federal government or a private business could take on such a great project, which would have short-term as well as long-term uses. Short term in so far as the necessary equipment must first be supplied; for example, you want to build a big power utility for irrigation projects. You have to think also about the electric transmission grid that would be required to distribute the energy. This would put our steel industry afloat again. For such a region, about six times the size of the Federal Republic of Germany, how many tractors would be needed, how many agricultural machines in total, to work such an area with modern methods!

EIR: Lyndon LaRouche's "Operation Juárez" document is being discussed in Latin America; it says that if the industrial countries are not willing to cooperate in solving the debt problem, then South-South cooperation should be adopted. How would this affect the possibilities for such great projects, which are to a great extent dependent upon the capital goods of the industrial countries? Would this drastically slow down the development process?

Niemeyer: Yes, it would at first.

EIR: But the possibility would still exist to begin the projects despite such a setback?

Niemeyer: If the North really pulls out completely, what we all fear would happen: that in the developing sector many, many people, millions of people, would starve. But these countries would not disappear; the countries would continue to exist, and there would be people there. And don't forget that in all these countries today one must and can count on the real potential of scientists and technicians in all fields, excellent specialists who could take on such projects themselves. The process would proceed very slowly, but it would proceed.

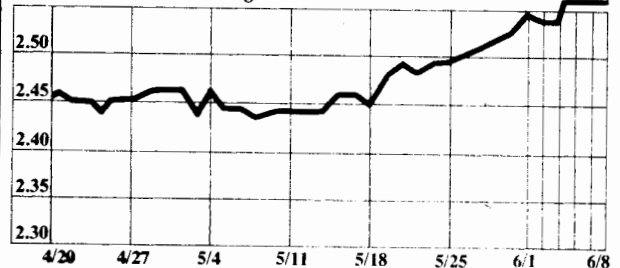
EIR: The real ones to suffer would thus be us, the industrial nations?

Niemeyer: Yes, since we would no longer be needed. If we proceed today from the standpoint that we need markets, where will we turn then? Belgium is certainly no market for us. But if we think in terms of the gigantic regions that we are discussing now, if we were really to see to it that great structural improvement projects were launched in these regions, then an enormous demand would arise. I would like to put it this way: we can do the best for the world, we can do good for others while bringing our own budget into order. That is really the ideal.

Currency Rates

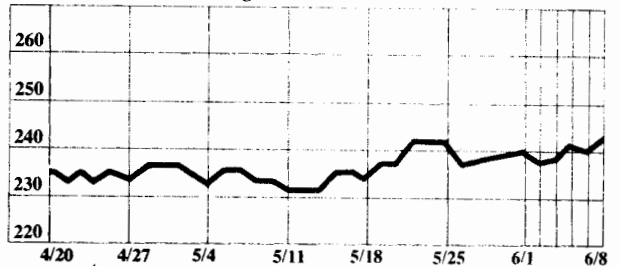
The dollar in deutschemarks

New York late afternoon fixing



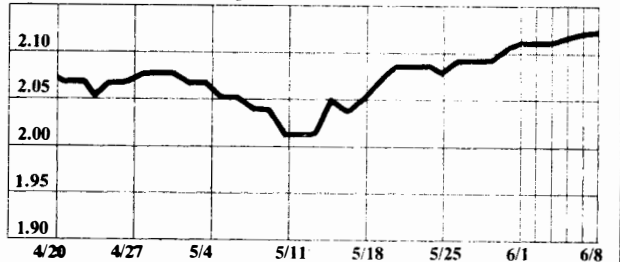
The dollar in yen

New York late afternoon fixing



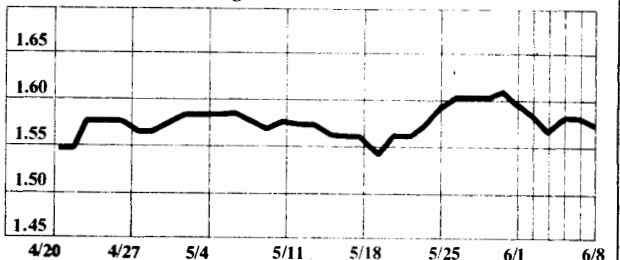
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The World War II Manhattan Project: precedent for beam-weapons development

by Richard Freeman

Last week, we published Part I of "The World War II Mobilization That Ended the Depression." Below is the second and concluding part, the story of how the Manhattan Project achieved in three years what many at the time said would require three to four decades.

In 1939, the development of controlled nuclear reactions was much, much further from realization than laser-based weapons are today. Many thought it could not be done. Ernest Rutherford, the "lion" of British science in the 1930s, dismissed the idea of harnessing the power of the atom as "the merest moonbeam."

Americans and others took a different view. In December 1938, two physicists at the University of Berlin, Otto Hahn and Fritz Strassmann, conducted experiments proving that atoms of the radioactive element uranium would split when bombarded with neutrons. A few weeks later, French Nobel Prize winner Frédéric Joliot-Curie showed that the uranium atom, once split, released more than one neutron, and that a chain reaction was indeed possible.

In 1939, in the United States, Enrico Fermi, a refugee from Mussolini's fascism, and Leo Szilard confirmed Joliot-Curie's experiment at their physics laboratory in Columbia University. Szilard wrote of the night of their dramatic breakthrough:

"Everyone was ready. All we had to do was to turn a switch, lean back and watch the screen of a television tube. If flashes of light appeared on the screen it would mean that large-scale liberation of atomic energy was just around the corner. We just turned the switch and saw the flashes."

President Franklin Roosevelt had created the Uranium Committee in 1939 to study the prospects of an atom bomb. But for the first years of the war, the committee just spun its wheels. In 1940, F.D.R. placed the Uranium Committee under the National Defense Research Committee.

But the tenor of work on the atom bomb was to change dramatically in September 1942, when the President appointed Col. Leslie Groves of the U.S. Army Corps of Engineers to be the engineering overlord for the Manhattan Project. The Army Corps was established in the 19th century to build dams, canals, and other infrastructure projects. Groves had actually worked on a plan to build a second Panama Canal through Nicaragua. The President had been receiving reports

of German efforts to develop the A-bomb, and his instructions to Groves were simple: at whatever the cost, make sure the United States develops the bomb.

This would have to be a crash effort.

As reported by Peter Pringle and James Spigelman, there were four efforts underway, which Groves reviewed, to produce a controlled nuclear reaction:

1) "At Columbia University, Harold Urey, whose discovery of heavy water had won him a Nobel Prize, was in charge of a technique called gaseous diffusion. This required passing uranium gas, including U-238 and U-235, through a series of porous barriers. Since the lighter U-235 isotope passes through the pores more easily than the heavier U-238, the end result would be a gas 'enriched' in U-235." U-235 was the fuel for the nuclear reaction.

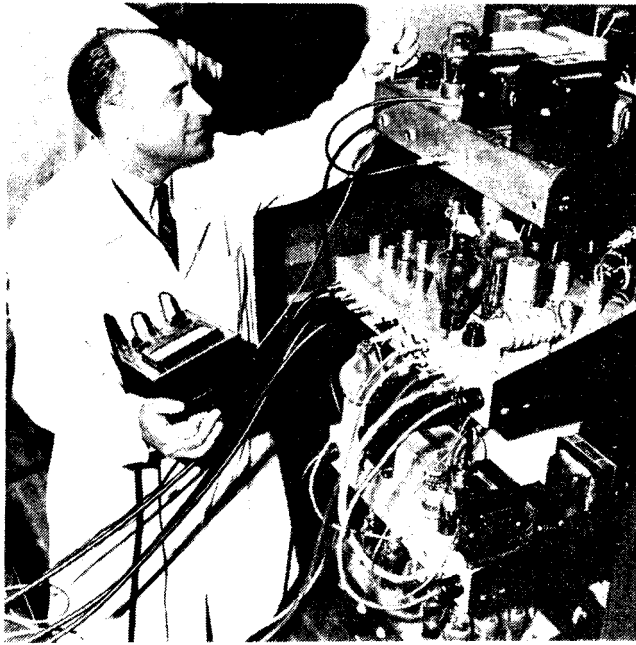
2) "At the University of California, Ernest Lawrence—the inventor of the cyclotron, or atom smasher, and himself a Nobel laureate—headed the group working on the electromagnetic process for separating U-235. This involved passing uranium gas over a large magnet. The lighter particles of U-235 would be attracted to the magnet at a different rate than the heavier U-238.

3) "In Pittsburgh, Eger Murphee, a Standard Oil of New Jersey engineer, was supervising a project to separate U-235 using a centrifuge. In this method, the lighter U-235 is parted from the heavier U-238 by putting uranium gas into a large rapidly spinning machine and driving off the heavier isotope—a method akin to separating cream from milk.

4) "Finally, at the University of Chicago, Arthur Compton, who had won the 1927 Nobel Prize in physics for his studies of x-rays, was in charge of building what was shortly to be the world's first working nuclear reactor. It would soon produce minute quantities of plutonium."

The United States deliberately funded duplication of efforts: each project, with the exception of the third, was pushed ahead. This parallel approach guaranteed the greatest rate of discoveries, since it could not be predicted in advance which method would work first. At the same time, within the bounds that security precautions allowed, the teams working on a project could cross-fertilize their ideas. This parallel effort and cross-fertilization of ideas characterized the Manhattan Project effort.

Colonel (later General) Groves drove the effort forward



Enrico Fermi

at a frantic pace, a pace at which many in the Project bridled, but which all concerned admitted the Project could not have been completed without. The projects required vast engineering skills. The magnets that Ernest Lawrence wanted to construct for his cyclotron were huge machines, using thousands of tons of steel, and were bigger than any previous U.S. lab machines. Huge quantities of graphite, in a degree of purity never before envisaged, were required. So with uranium metal, previously handled in grams. Groves needed tons of everything.

A story is told of Groves one day paying a visit to the U.S. Treasury Department. He needed thousands of tons of silver for industrial and scientific purposes. An effete Treasury official when told of Groves's requests for silver sniffed, "Around here we talk only of troy ounces."

What Groves accomplished in two-and-a-half years might have taken three to five decades in normal peacetime conditions. For example, to build the first nuclear plant, he had to build the first fully automated factory, the first plant completely operated by remote control, the first totally leakproof industrial system—six million square feet of machinery that had to be kept as spotless as an operating room.

In the process of making the Manhattan Project work, Groves whipped his subordinates at an incredible pace, and tested the country's recently developed organizational skills and technical talents. Two entirely new cities were built—Oak Ridge, Tenn. and Hanford, Wash.—each within less than a year. At Hanford, a small village on the banks of the Columbia River, an army of 25,000 construction workers, with 11,000 pieces of major construction equipment, excavated 25 million cubic yards of earth and laid 158 miles of railway track and 286 miles of road. A similar process was repeated along the Clinch River between the Great Smoky

and Cumberland mountains in Tennessee, creating the city of Oak Ridge.

It was the work at the University of Chicago that produced the first breakthrough. The physicist Enrico Fermi had been brought there to work with Arthur Compton and a team of other top scientists. There the reactor pile consisted of 40,000 graphite blocks arranged in a circle; inside it were 50 tons of uranium in oxide form. Into the uranium were inserted neutron-absorbing rods that, when withdrawn, allowed the neutrons to start their atom bombardment leading to a chain reaction. On Dec. 2, 1942, under Italian physicist Fermi's direction, this pile produced the first continuous chain reaction. The code words called down to Washington, D.C. after this exciting event were, "Jim, you'll be interested to know that the Italian navigator has just landed in the New World. He arrived sooner than he expected."

Work proceeded. Finally on July 16, 1945 at the Jornada del Muerto testing facilities in New Mexico, the first atomic bomb was exploded. The method used was to detonate plutonium by a process known as implosion. Previously, scientists had found that because the critical mass of plutonium—uranium-238 enriched by one neutron—was too unstable, it was impossible to bring the plutonium together without getting a premature reaction. In the implosion process, the outside of two hemispheres of plutonium, together weighing less than the critical mass, are coated with an explosive. On detonation, the plutonium is squashed inward, forming a mass that, although subcritical in actual weight, becomes critical because of the huge pressures on it from the explosion. The timing of the detonation is crucial. All the explosives must detonate a precisely the same moment.

At 5:30 a.m. on the morning of July 16, Groves and others in observation dugouts six miles away from the plutonium bomb witnessed a remarkable sight. At that moment the sky exploded with light, a fireball arose, and the surrounding desert sand turned into glass because of the heat. The harnessing of the fission power of the atom had been achieved, an outstanding achievement for all of mankind.

The hideously wrong decision to drop the atom bomb on Hiroshima and Nagasaki is another matter that won't be explored here, except to say that the darling of today's peace movement, the bloodthirsty scientist Robert Oppenheimer, was the one who pushed President Truman to drop the bomb on the Japanese cities; and the supposed warmonger, the scientist and present supporter of directed energy beam defense systems, Edward Teller, opposed the dropping of the A-bomb for humanitarian reasons.

A footnote is necessary: The development of the cheap, efficient, and safe use of nuclear power would not have occurred had the military not intervened a second time. It was Admiral Hyman Rickover, foreseeing correctly the need of nuclear submarines to travel long distances underwater without surfacing, who pushed the use of nuclear fuel. Because of him primarily, the logjam of developing nuclear power plants to produce electricity was broken.

Farm policy and the debt crisis

U.S. government subsidies, paid for cutting production, are going to pay debt, not rebuild U.S. agriculture.

Administration attempts at "cost-cutting" are backfiring as the costs of spiraling debt overwhelms the U.S. farm sector. The American Bankers' Association reports that \$16 billion in short-term credit is necessary to prevent mass farm bankruptcies in the second half of 1983.

Total debt of American farmers is now \$215 billion, a near doubling since 1979. Interest payments now cost farmers \$23 billion a year, or 16 percent of their total annual production outlays.

Under these conditions, the Payment in Kind program (PIK), set up to reduce "surplus" production that was supposedly holding down farm prices and to cut the costs of government price support programs, is becoming instead a very expensive and absurd way for the government to subsidize farm debt. Farmers participating in PIK receive government-owned grain to sell, in exchange for *not* planting some of their own land.

Giving farmers surplus grain was supposed to cost less than price supports and grain storage payments, which amounted to about \$6 billion in 1982. But PIK is reported to be already costing about \$7 billion—primarily because the government does not own enough grain to award to participating farmers, and has to come up with new supplies.

With expenditures for other programs at an estimated \$8 billion in 1983, total costs for government ag-

riculture programs will be \$15 billion this year. Costs in 1979 were \$2 billion.

In addition, partly because farmers took their least fertile acres out of production, PIK will not cut production anywhere near intended levels, and therefore will not reduce production costs or farmers' need for credit.

Because PIK is so expensive, the program will speed up the dismantling of the remnants of existing farm price-support, distribution, and income programs which have contributed to making American agriculture the most productive per farmer in the world.

The primary source of new grain stores for PIK is *bankrupt farmers*. Many are simply defaulting on loans from the Commodity Credit Corporation (CCC), for which their stored grain was collateral, and turning the grain over to the government.

Farmers are walking out on about \$2 billion of debt in this process, because they cannot meet loan repayments, and losing title to grain worth twice that amount.

The crisis atmosphere is being fed by rumors that grain bought from abroad will be used for PIK payments. The United States normally imports grain of certain types and qualities not produced domestically, but farmers facing bankruptcy and chaos in the markets are vulnerable to the same kind of manipulation that has come to be called "Jap-bashing" in the auto and steel industries.

The greatest failure of the administration programs is not their cost, however.

Farmers' primary expense is now debt service, not maintaining production. As a USDA spokesman stated in late May, by selling their PIK grain, "farmers will be able to retire high-interest debt, reduce short-term credit, and consequently reduce interest expenses." PIK, by subsidizing farmers' debt while destroying productive capacity, could well become agriculture's equivalent of the New York welfare system, which supports the vast New York real-estate bubble by issuing, as part of the welfare payment, a separate rent check directly to the landlord, no matter what other costs the recipient might have.

Yet government policy is also doing little to please the banks. Such methods of bringing "supply and demand into balance" clearly do not work. Charles Reimenschneider, the senior agriculture economist at Chemical Bank, has said that the "various payments, loans, and other subsidies" will cost the government \$40-\$50 billion—more than double the amount provided in real terms during any year in the 1970s. Such spending, he added, is not altering the production levels, which continue to outpace domestic consumption and foreign demand.

Banks are responding by cutting credit. Most lending institutions are already saying that they are looking at cash flow, and not collateral, in making loan judgments.

After 1982, the worst financial year for farmers since the Depression, about 24 percent of the 268,000 borrowers from the federal government's lending institution, the Farmers Home Administration, are delinquent. The FHA has recently been calling loans in early, forcing farmers to renew at a penalty interest rate.

Business Briefs

Nuclear Energy

U.S. signs fusion agreement with China

The U.S. Department of Energy and the Chinese Academy of Sciences have signed an agreement laying the basis for cooperation in the field of magnetic fusion research. The protocol, signed in early May during a visit to Peking by the U.S. President's Science Adviser George Keyworth, treats the exchange of personnel, information, and instrumentation for engaging in fusion research and experimentation. Under the terms of the agreement, each government will commission universities as well as private and government-run facilities to participate in the exchanges.

Preliminary discussions had already taken place in 1982, which led to the signing of the protocols. Last year, at Keyworth's invitation, Chinese Minister of Science and Technology Fang Yi led a delegation to the United States which toured a number of high-technology laboratories. Following this, several American fusion scientists attached to the Lawrence Livermore Laboratories reportedly visited fusion research facilities in China.

The exchanges convinced both sides that expanded cooperation in the area of magnetic fusion research was of mutual interest.

China's fusion research program has existed for over 30 years. The nuclear research program is one of the few areas which has remained relatively unscathed by changes in economic and political policy since the founding of the People's Republic of China. Recent demands by the military that science and technology be upgraded make it likely that China's nuclear program will be assigned even greater importance.

Public Policy

A record Treasury receipts shortfall

For the first seven months of the 1983 fiscal year, U.S. Treasury receipts are \$22 billion short of the income in the comparable seven

month period last year. For the first time in 20 years, the April receipts were lower—by \$3.3 billion—than outlays, and the 1983 fiscal year-to-date deficit is \$32 billion larger than the total 1982 fiscal year deficit.

Although much of the shortfall is attributable to the effects of both individual and corporate tax rate reductions, and to the carrying forward of corporate tax losses, reduced revenues from excise taxes and customs duties belie the popular "recovery" myth.

The largest revenue loss came from corporate income taxes, whose gross receipts total \$33.3 billion to date, compared with \$39.6 billion in the first seven months of 1982. That subsumes a 73 percent increase in corporate tax refunds, which reduced net receipts to only \$17.1 billion, compared to last year's \$30.2 billion.

Surprisingly, given the increase in consumer durables manufacturing and sales, excise taxes (including the windfall profits tax) fell by 23 percent, from \$18.4 billion to \$14.2 billion. Customs receipts, which also would be expected to turn up in a recovery, are off by 12 percent, from \$5.5 billion to \$4.8 billion. Even highway trust funds receipts from the gasoline tax, which was increased in April, fell off by 11 percent.

International Credit

OPEC deficit minimum \$50 billion in 1983

With exports stuck in a trough of 16 million barrels per day, and selling at a price of \$29, the oil-producing countries of OPEC are expected to run a deficit in 1983 of no less than \$50 billion. This compares to a zero payments balance in 1982. Saudi Arabia, which posted a \$10 billion deficit last year, is now expected to post a deficit closer to \$20 billion in 1983.

These forecasts, based on interviews with Middle East departments of leading U.S. commercial banks, are based on the assumption that in the fourth quarter of 1983, OPEC exports will rise to 18 million barrels per day—an assumption which is by no means guaranteed. As *EIR* warned in a Special Report in our Feb. 15 issue, if exports stay at 16 million barrels per day to year-

end, the deficit will be close to \$60 billion; if prices drop further, the deficit could hit the extraordinary level of more than \$70 billion.

In 1982, OPEC imports declined 4 to 5 percent compared to 1981. This year, a decline of at least that same magnitude is expected. To finance these reduced imports, oil-producing countries have started to withdraw investments from Western government securities markets, and to draw down longstanding deposits with Eurodollar banks. On June 8, West German central bank head Karl-Otto Poehl held a press conference in Frankfurt, reporting that oil-producers had declined to renew investments in currently redeemable government bonds. This withdrawal of investments is largely responsible for the decline of the German mark on foreign exchange markets, Poehl stated.

Banking

FBI steps into Butcher case

The Federal Bureau of Investigation (FBI) has sent numbers of officers into Knoxville, Tennessee to oversee the breaking scandal surrounding the shutdown of \$3 billion in banking assets previously headed by the family of Tennessee banker Jake Butcher.

In addition to opening of office space under a non-existent corporate name in the city, the FBI is in contact with a "former" agent, who was recently relieved of responsibilities for the Kentucky state cabinet. Having been caught engaged in an illegal wiretapping operation, the FBI's Kentucky point man was permitted to retain his state government office to oversee a large dossier on the Butcher case.

On June 8, the *Wall Street Journal* made mention of the FBI's dominant role in the investigation in a page-one lead article. The article additionally lists several other companies, in Texas, Alabama, and other parts of the Southeast, which are now being investigated in an atmosphere of heightened scandal-mongering, as part of the continuing Butcher investigation.

Informed Wall Street sources have told *EIR* that a similar pattern of broad investigation and indictment is expected to occur

Briefly

soon in connection with the ongoing reorganization of the Cincinnati, Ohio-based Baldwin-United financial services company. The Butchers were owners of Baldwin-United debentures before their closure, and had received loans from the Ohio firm.

Debt Crisis

Banks shake up their international sections

Three major banks have shaken up their international departments in anticipation of a Brazilian debt crisis at the end of June.

Bankers Trust executive committee member Carlos Canal, who directed the Brazilian creditor banks' attempt to shore up Brazil's short term debts, announced his resignation June 8.

Canal was in charge of Project 4—the portion of the Brazilian rescheduling package that dealt with overnight interbank loans between American and Brazilian banks. Swiss and other continental European banks sabotaged the Project 4 program by pulling out short-term funds from Brazilian banks.

At Chase Manhattan, a major overhaul of the international department is also occurring, banking sources report, involving reduction of the department size and high level executive assignments.

In addition, Morgan Guaranty Trust's top international trouble-shooter, Tony Gebauer, is reportedly leaving the bank. (He is also marrying into a Brazilian oligarchic family.) Gebauer is one of the founders of the Ditchley Group creditors' cartel.

Comecon

Polish journal proposes Colbertism

The Polish economic management magazine *Zazwyczajnie* stated in an article in its early June edition that debtor countries have the advantage over creditor countries, because they can make policy on the basis of freeing themselves from their debt burden,

while the latter have "no means of counting on repayment." Poland, therefore, is in the position of being able to present its creditors with an ultimatum.

The main problem with the Polish economy, the article continues, is that "our state-run [economy] instead of giving our economy a direction, indulges more and more in a bureaucratic administration." The state's intervention is certainly necessary, but "on condition that it does not stifle individual energies, but frees and multiplies them."

The paradigm of a correct policy is that of Colbertist France under Louis XIV. Then, the "individual expansion of different enterprises [was unified with] the economic expansion of the whole nation's and the State's power."

It is essential, continues the magazine, to "develop creative initiatives, professional ambition and the energy of the masses. A government which is not capable of inducing in the nation a sincere and authentic enthusiasm for its actions and faith in the slogans it puts forth, is incapable of achieving anything great."

To overcome the crisis, "a great creative effort of the whole nation, of all the citizens and of the State is necessary." If this is not realized, if the money supply keeps on growing faster than production, inflation will be the only result."

The article also proposes eliminating the "Byzantine methods of education which destroy any noble ambition."

Japanese Industry

MITI law to promote venture capital

Japan's Ministry of International Trade and Industry (MITI) has proposed new legislation, which is intended to help promote the formation of venture capital for such high-technology industries as computer software and semiconductors.

According to JJI press, the proposed law would provide tax incentives for investment by allowing businesses to set aside larger-than-normal reserves for investment losses. It would also exempt such businesses from certain sections of the anti-monopoly law.

● **JAPAN'S EXPORTS** rose to \$11.6 billion in May, 0.5 percent above May 1982. This is the first month in which exports have surpassed year-before levels since January 1982. Imports, however, down 11.7 percent from May 1982, showed the sixteenth consecutive month of a year-to-year slide.

● **MELLON BANK**, which froze the accounts of the Mesta Machine Corporation when that company declared bankruptcy in February, was ordered to release the \$350,000 payroll account for Mesta's laid off workforce by a Pittsburgh court June 7. The United Steel Workers had brought a motion before the Pittsburgh City Council demanding that the payroll checks be immediately released.

● **EGYPT** and Japan are scheduled to hold a working-level meeting in Cairo June 15 to promote cooperation in industrial technology and science. According to *Japan Economic Daily*, this is the first session of the joint Japan-Egypt committee inaugurated during President Hosni Mubarak's visit to Tokyo in April. The meeting will be conducted on the deputy foreign minister level, and will sign an agreement for technical and scientific exchange. The meeting represents a further indication of Mubarak's commitment to economic development, and of Japan's to aiding Third World development.

● **AIR DEFENSE ARTILLERY** magazine, a quarterly publication of the U.S. Army Air Defense Artillery School at Fort Bliss, Texas, has published in its Spring 1983 issue a five-page article by *EIR* military editor Steven Bardwell on directed-energy antiballistic weaponry. The article covers not only the scientific and technological questions involved, but the economic effects of the implementation of the antiballistic weapon systems which will mark the advent of the plasma age.

Who will pay for the June debt crisis?

by David Goldman

Only a few weeks ago it appeared that the International Monetary Fund and the consortia of major international commercial banks were in a position to dictate financial terms to the rest of the world.

Following the acquiescence of both Mexico and Brazil, the world's two largest debtors, to programs of IMF austerity in return for debt-rescheduling operations by the commercial banks, the prospect of political resistance to the IMF looked slim to most of the parties and observers involved. The formation earlier this year of the Ditchley Group of commercial-bank creditors appeared to have consolidated a dictatorship over world finance against which no political force could safely move. Secretary of State George Shultz could say, with credibility in many quarters, that the world "recovery" would solve the debt problem "in time," and that the ferocious "adjustment" measures required of the developing nations were the price they had to pay to ensure good terms with their creditors over the years ahead.

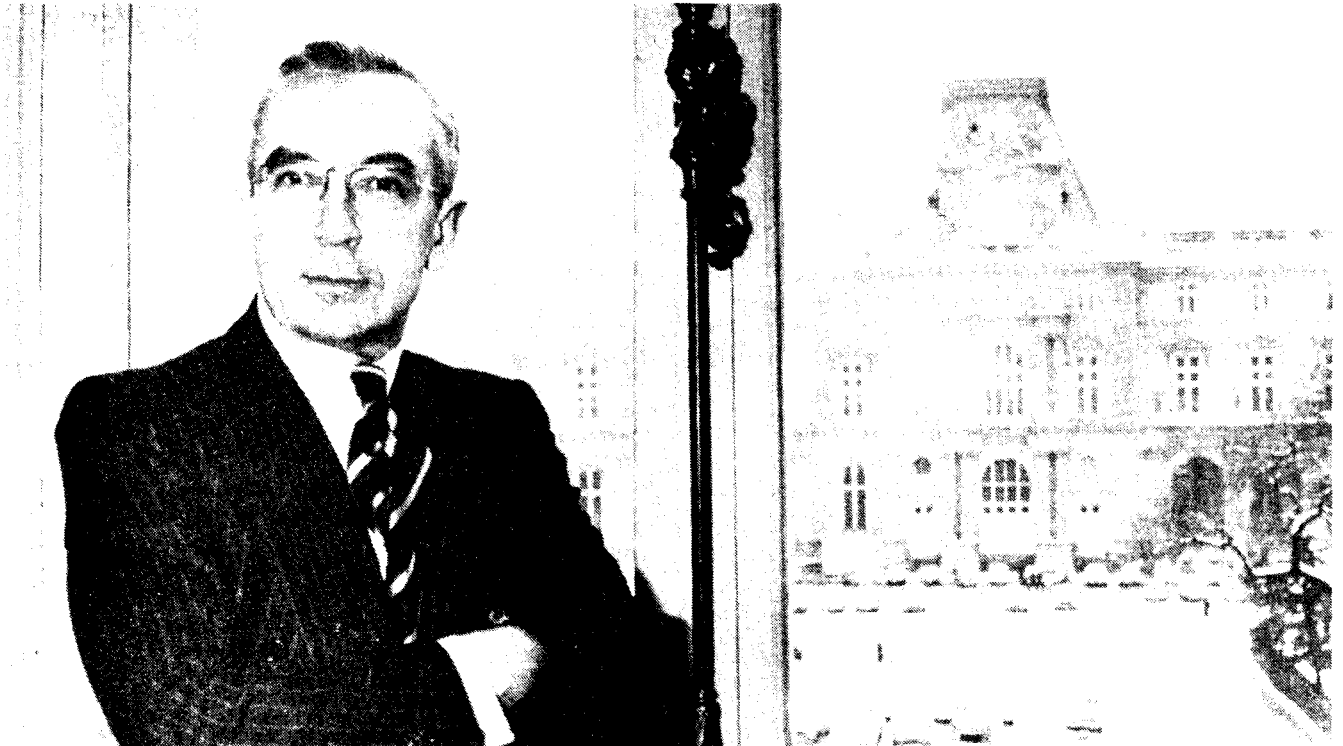
Since the beginning of June, however, it has begun to dawn upon the commercial banks and the International Monetary Fund that their public and private estimates of only a month ago could not have been more misleading and more dangerous. These institutions miscalculated terribly, to the extent that the institutional power of neither group may survive the month of June in penalty for this miscalculation.

Their judgment failed on two counts.

First, they assumed that the nations of Ibero-America would behave like imperial subjects, rather than as sovereign nation-states committed to defending their most basic interests.

Second, they assumed that the leading Swiss and other central European financial institutions would collaborate with the process of debt rescheduling, despite evident grumblings of disagreement over the past several months.

The bankers had put themselves in the position of that farmer who decided to train his horse to live on fewer and fewer oats, and was horrified when the animal



Jacques de Larosière, managing director of the International Monetary Fund, whose "aura of power" is fading.

died just before completing its course of training.

How the situation has changed

Now, as reported elsewhere in this issue, leading sections of the Brazilian nationalist establishment have decided that they cannot be responsible for the internal security of their country, much less for its future development, under the terms dictated by the International Monetary Fund. In these circumstances the IMF cannot go forward against Brazil, i.e., enforce the austerity conditions demanded under the terms of the February loan agreement between Brazil and the IMF.

Neither can the IMF go back. Even the pundits of the financial press have now perceived this dilemma. Although considerable sections of the Anglo-American banking community are now clamoring for a "waiver" of the Brazilian IMF conditions, the decision of the "German-speaking central banks," as the grouping is described in London, to enforce the conditions at all costs, prevents a retreat on the part of the IMF. Unable to go forward or backward, the International Monetary Fund "will be totally discredited whatever the outcome," in the view of a Latin American specialist at the Schroeder's Bank in London. The International Monetary Fund's mission to Brasilia is expected to demand that the government not merely adopt additional austerity measures for the future, but also make up for several months of deviation from IMF "targets" in regard to government spending. Although the Brazilians may be prepared to sacrifice some important government subsidies on basic food and other

products—in principle—it appears impossible that they will sacrifice such subsidies—in practice—within the time frame demanded by the International Monetary Fund. Under these circumstances, despite bankers' demands for clemency for their debtor, the IMF will refuse to grant additional tranches of Brazil's previously negotiated loan.

According to a European executive director of the IMF, the creditor nations will not be able to swing the Fund into the position of waiving conditionalities for Brazil. The Swiss, Dutch, Germans, Austrians, and Belgians, representing a continental bloc that prefers to see a crisis now, will argue strongly against any suspension of conditionalities in Brazil's case or any other. Under these circumstances, the European executive director argued persuasively, it will be impossible for the U.S. Treasury to make a 180-degree turn and support a loan for Brazil free from conditionalities. As the Europeans emphasized, since the United States has taken the toughest stand on conditionalities in the past, largely because of American hostility to providing any funds for the IMF at all, under normal diplomatic circumstances the United States can hardly change its position so radically within the short period in which the decision must be made.

Rumblings from the Fourth Reich

Careful observation of the process of ratification of the proposed \$8.4 billion American contribution to the International Monetary Fund under the current round of quota increases would have demonstrated to senior American bank

management that something was radically wrong within the ranks of the banking sector itself.

Swiss National Bank consultant Karl Brunner, doyen of the so-called Shadow Open Market Committee and professor at the University of Rochester, led a group of right-wing economists formed earlier this year to oppose giving additional funds to the IMF. Brunner's operation represented a dirty-tricks campaign on the part of the Swiss National Bank to make life difficult for the International Monetary Fund in its capacity as manager of the present round of reschedulings. In public, Swiss National Bank President Fritz Leutwiler expressed doubts concerning the possibility of rescheduling Brazil's and other nations' outstanding debt without a major and catastrophic crisis. He made these statements first in a March interview with this publication, and later in public statements before other groups.

Senior American and British bankers never considered seriously the possibility that the Swiss would be insane enough to carry through with their conviction that a crash was necessary. The Swiss are convinced that they will survive the worst of a banking crash, with virtually no exposure in the developing sector, and a very strong position in gold, more or less in the same fashion that cockroaches are expected to survive a nuclear war.

Well-placed British banking sources now complain that the Swiss have not only withdrawn their own funds from the Ibero-American refinancing operation, but have both persuaded Western European continental banks to do the same, and instigated a similar withdrawal of funds by Arab banks, among whom are counted some of Brazil's largest creditors.

The result of the Swiss vote of no confidence in the rescheduling procedures has been a collapse of the Brazilian rescheduling package, especially in its so-called Project Four, the section applying to interbank credits among the major commercial banks. Interbank credits, as *EIR* has reported in the past, represent the weakest flank of the American and British commercial banks.

The Bank for International Settlements will rub in the vulnerability of the American banks as well as their central banking institution, with the June 9 release of an updated version of the Basel Concordat, the gentlemen's agreement among central banks concerning division of responsibility for regulation and supervision of foreign banking offices.

Swiss central bank officials emphasize that the import of the updated version of the concordat is that the Federal Reserve must take responsibility for American-based offices of Latin American central banks, which have borrowed upwards of \$40 billion from the American banking system in the last few months of refinancing scramble. Coinciding with already rising interest rates and an out-of-control budget deficit, the impact of such a bill presented at the New York Federal Reserve Bank would be virtual collapse of American money markets, even assuming that the Brazilian default did not lead to a run on deposits at major commercial banks

themselves, as began after the announcement of a Mexican moratorium in September 1982.

The Swiss banks, the representatives of the old Venetian *fondi*—the private fortunes dating from the period of the Crusades—merely tolerated the International Monetary Fund. Switzerland never joined it.

In the Swiss view, the IMF was too contaminated by the voting powers of sovereign governments. Their institution of preference has been the Bank for International Settlements, the ultra-secret and quasi-private central bankers' central bank, which, among other activities, absorbed the gold bars made from concentration camp victims' gold teeth during World War II in order to aid Adolf Hitler's purchase of raw materials from abroad.

Evidently, they are willing to dispense with the offices of the International Monetary Fund, however much they may otherwise support the frankly brutal approach of the IMF in prescribing austerity conditions to the developing sector.

At the same time, they are willing to take the political risk of putting the backs of Brazil and other countries to the wall, risking the emergence of a continent-wide debtors' cartel. This may represent a fundamental element of miscalculation on the part of the Swiss.

As one senior Austrian Central Bank official put it, what the so-called German-speaking central bankers' group expects is not so much the emergence of a unified and orderly debtors' cartel, but "the complete taking over by centrifugal forces which will tear the continent apart."

What will the United States do?

Despite the threat of chaos, or perhaps because of it, the recent proposal by President Figueredo of Brazil to change the terms of negotiations from "financial" to "political" is viewed by some administration circles as an offer the United States may not be able to refuse. This is also true in Great Britain, where a press spokesman for Chancellor of the Exchequer Sir Geoffrey Howe said privately June 7 that the possibility of one day having to negotiate with a debtors' cartel in Latin America has been under priority scrutiny since the meeting of Argentine President Bignone with Brazilian President Figueredo on the Argentine border months ago.

The only means the United States has for averting a financial shock with devastating strategic implications is to adopt the "political" approach, which implies abandoning the IMF context and negotiating bilaterally with a debtors' cartel or in combination with some of America's allies. This policy was characterized as "Operation Juárez" when its detailed principles were published a year ago by *EIR* founder Lyndon H. LaRouche, Jr. A year later, Operation Juárez is perhaps only weeks away from reality as both the United States and the Ibero-American nations realize that it is the only alternative to disaster, and that their mutual enemies stand ready to take advantage of any opportunity to provoke such disasters.

Ibero-America: storm center for the IMF's supporters as Brazil eludes their control

by Susan Johnson

The case of the Brazilian debt, and the impending crisis over Venezuela's debt, have forced an international recognition that neither the International Monetary Fund nor the "Ditchley Group" of private banking creditors founded at the beginning of this year has adequate means to extract debt repayment from the major Ibero-American countries.

Thousands of Brazilian demonstrators marched on June 8, chanting "*Fome, Miseria, Inflação*"—"famine, poverty, inflation"—a slogan whose initials were selected to spell out "FMI," the Portuguese acronym for the International Monetary Fund. Throughout the continent, a wire-service story was published, with an overview of the revolt against the IMF: "In Bolivia and Peru, a presidential initiative for the region to form a common political front facing the IMF for renegotiation of the foreign debt, is progressing vigorously. In Venezuela, there is a consensus among the majority of sectors, from the most conservative right to the extreme left, to issue a loud and decisive 'no' to the demands of the IMF regarding the future path of the national economy." Agence France Presse at the same time reported, "Latin America is on the warpath against the IMF, and criticism of this institution, which used to come from the far left, is now being taken up as the banner of conservative factions."

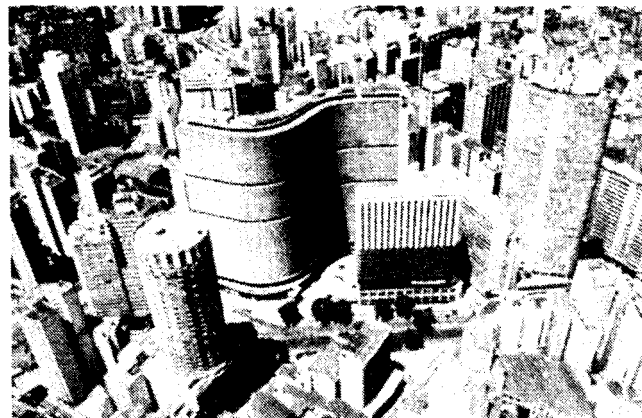
The Brazilian government on June 9 announced its anxiously awaited policy package: a rejection of the IMF's insistence that price subsidies for wheat and oil be immediately eliminated. Instead, the government "promised" to phase out the subsidies—which have become the center of attention in the negotiations with the Fund—by 1985. Such promises have been dragging on for months with no action in sight. That decision to defend the living standards of millions of Brazilian citizens was the latest setback for the IMF, skeptical as it is of Brazil's pledges of future action to meet conditionalities.

Brazil is in fact undergoing a political evolution, with the potential for some sort of Gaullist, or Peronist, military-labor alliance with a broad social base, superseding the "right-wing military versus progressive civilians" polarization that has characterized the country for the past two decades. The May 24 visit to General Figueiredo's presidential palace by the widow of President João Goulart, overthrown by the

military in 1964, is particularly significant in this light. Goulart's son-in-law, Rio governor Leonel Brizola, is forming an alliance with Figueiredo's party in that state.

Brazil, as *EIR* has reported, was selected for "rough" treatment by the Fund, which does not wish to confront all of the Big Three debtors at once, and therefore pretends that Mexico and Argentina have "passed" the conditionalities test, contrary to fact. Less than two weeks after the IMF gave its blessing to Argentina's first-semester economic performance, however, central bank president Carlos González del Solar said that Argentina will have "difficulty" meeting the Fund's conditions during the second half of the year, and asked for "flexibility." Mexico is making polite professions of intent to meet its obligations to private creditors, but tangible repayments are scarce.

In Venezuela, whose leaders, like those of the other debtor nations, are watching the Brazil situation moment by moment, President Luis Herrera Campins on May 29 told a Caracas rally that "we have been encouraging multilateral initiatives in Latin America to try to achieve our own path for the renegotiation and the refinancing of the debt." Confirming that this was more than rhetoric for domestic consumption, a week later his foreign minister, José Zambrano Velasco, stated in a formal address to the United Nations Confer-



São Paulo, Brazil's premier industrial city: nations are showing themselves unwilling to destroy themselves for the sake of debt extraction.

ence on Trade and Development (UNCTAD) that “the creditors have organized themselves to coordinate their efforts; therefore, it is only logical that the debtors do what is necessary to coordinate their position.” (See article, page 4.)

The Venezuelan capital will be the location of a summit conference among the presidents of the Andean Pact nations—Colombia, Venezuela, Peru, Ecuador, and Bolivia—on July 24. By that time, there is every reason to expect that the debt-refinancing situation will be further out of control, and if a “debt bomb” has not already been dropped, it is entirely possible that the Andean leaders will flank the Big Three’s current quiet non-payment of arrears with a public policy initiative toward a debtors’ cartel and a continental common market.

Brazil and the IMF

As *EIR* has insisted all along, there is no way on earth or heaven that Brazil could meet its debt obligations under the International Monetary Fund arrangements concluded in February. The financial-policy “triumvirate” at the Brazilian central bank, planning ministry, and finance ministry tried to circumvent that reality with expert statistical shadow-boxing against bankruptcy. The Fund and the Ditchley Group in true loan-shark fashion expected that a combination of hand-smashing austerity and rollovers would contain the dangers of a \$90 billion insolvency, and set the pace for the other debtors, as Mexico’s capitulation to the IMF had done last year. But the Fund’s demands on Brazil entailed reductions in consumption and industrial capacity that posed a terminal threat to national security, and the national economy.

Segments of the military as well as the civilian policy-making apparatus, including those who not long ago believed in the efficacy of the Fund’s ministrations, refused to eliminate the oil and wheat price subsidies at one fell swoop, have now balked on cutting back the state sector as the IMF demands, and refuse even to mention de-indexing wages, another Fund conditionality. They are now discussing not only unilateral debt moratorium, but participation in a debtors’ cartel, as a near-term option.

That is the reality shaping the latest round of talks in New York between Brazilian central bank chief C. G. Langoni and creditor banks, whatever prevarications may emerge from both sides on the subject.

The May 16 document issued in Quito, Ecuador by the Latin American Economic System (SELA) and the U.N. Economic Commission on Latin America (ECLA) summarizes the agenda toward which Brazil is being compelled along with the rest of the continent: 1) policy coordination among debtors, and 2) substantial preferential expansion of Ibero-American trade. Below we excerpt from that statement, which was not reprinted in the financial press of the “Northern” nations. *EIR*’s LaRouche-Riemann econometrics staff is currently preparing a comprehensive study of the investment, trade, and financial mechanisms that could be introduced to create a Latin American Common Market.

Documentation

‘Quito document’ sets renegotiation, and full

The following are excerpts from the “Quito Document,” issued jointly by the Latin American Economic System (SELA) and the U.N. Economic Commission on Latin America (ECLA) in response to the request by Ecuadorean President Osvaldo Hurtado for a comprehensive analysis of the Latin American economic crisis. The document, signed by Enrique Iglesias, executive secretary of ECLA, and Carlos Alzamora, permanent secretary of SELA, is dated May 16, 1983.

Latin America is probably experiencing its most serious crisis in the last half-century. Its economic growth has deteriorated, and the standard of living has been reduced in every country in the region, producing grave social and political consequences.

On the basis of these considerations, we believe it necessary, in the face of the compelling problems confronting the region, to focus our proposals on the problems arising from the burden of the external debt service and trade, and on the need for determinedly taking the path of regional cooperation and integration, without prejudice, of course, to the importance of such topics as regional food security or energy cooperation.

The most urgent dilemma confronting Latin America is, that while it needs resources in order to maintain a minimum of growth, the stage of external financing with which that growth was sustained in recent times has now come to an end.

We believe that the solution can only come from determined joint action by the region.

Latin America has been helping solve the economic problems of the industrialized countries through the lower prices paid for its exports and the higher interest rates it has had to pay on the funds loaned to it. However, in view of the severity of the economic situation it is now facing, it will be understood that it cannot go on making that sacrifice. On the contrary, we have reached a point at which it has become necessary above all to defend our national economies and protect the production apparatus.

For Latin America the main goal is to develop, and this

development, joint cooperation goals

means adjusting the servicing of the external debt to the present capacity of the debtor countries to pay, while spreading the accumulated debt appropriately over time so as to be able to keep up the level of essential imports. It means that the renegotiations must be carried out on new bases so that their cost to the debtor countries is less, the burden of the international adjustment required is distributed equitably, and it is at least possible to conserve the standard of living of these countries, while safeguarding the independence of national decisions.

This goal calls for regional action which is coordinated at various levels and in respect of various actors in the international financial system: action aimed at ensuring that the developed world understands that the surest way to enable Latin America to service its debt is to promote its development, rather than depriving it of the financial resources it requires.

In order to help reach these objectives, we consider it essential to establish information machinery on the Latin American external debt to facilitate the exchange among the countries of the region of information on the terms on which debts are being refinanced and on the evolution of the international financial markets, as well as in certain cases, giving governments advisory assistance on handling their external debts and solving the problems derived from it.

Thus, there is an urgent need for concerted Latin American action at the political level to make possible joint consideration of a solution to the problem of external indebtedness, which is having such a severe impact on the majority of the countries in the region. Individual solutions should be based on mechanisms of a global nature, so that each case is no longer treated as though it were a question of a set of isolated financial crises which are unrelated both to each other and to the international scenario which produces them.

It is necessary to intensify the whole unexplored potential of intra-Latin American trade with a view to at least doubling it in this decade and replacing extra-regional imports—particularly imports of food, energy, and capital goods—by imports which the region itself can furnish. This requires an

agreement that regional trade preferences covering all Latin American countries be adopted, and that the implementation of compensated partial bilateral agreements be intensified, especially by increasing State purchases.

To make this possible, it will be necessary to strengthen and extend the regional machinery for financing trade and clearing balances. These are also points of departure for an accelerated process of regional integration which will permit the full use and expansion of the installed production capacity and the development of our resources. This will also make it possible to create sufficient response capacity to ensure that coercive economic measures adopted by third countries can never again hurt a Latin American country.

In the face of the present crisis and the concerted action of the industrialized countries, the dispersion of the Latin American countries makes them ineffective in defending their interests. From the economic point of view, Latin America should organize itself as a unit. This will enable us to prepare ourselves to meet the future with an effective and dynamic structure of preferential complementarity which will save us from the danger of being vulnerable to the policies followed by other countries and will be in keeping with the interests of the Latin American community.

The instrumentation of these proposals urgently calls for a large-scale Latin American dialogue, of a type not hitherto seen, to be held in a spirit of understanding and harmony. In this connection we feel it might be appropriate to convene a Latin American Economic Conference.

This kind of conference should concentrate its efforts on the areas of development financing and intra-regional development and give new impetus to Latin American integration and cooperation. Full political support of its decisions would be of decisive help in putting into operation the mechanisms necessary for ensuring its prompt instrumentation.

The challenges we shall be facing at the beginning of the next century are being gestated right now. It seems that the last two decades of this century will mark the close of one era and the beginning of another. To embark on that era, it is essential to begin today to design and approve the foundations of the structure which Latin America needs. If this is not done, the growing impact of external factors will limit our possibilities for deciding our own destiny in the economic field and even in those of policy and strategy.

Latin America must answer this challenge in a spirit of unity, with the same solidarity with which it achieved its great accomplishments in the past and the same awareness of its collective interests which inspired it then.

This undertaking calls for great political will. We believe that this will is present and that it need only be summoned in order for it to take form. Rising above the short-term problems which may divide us today, the time has come to recover that collective vision which gave so much inspiration to our Liberators, who did not see their mission as merely one of national emancipation, but as being in the service of the entire region.

Swiss bankers prepare to corner the U.S. and Britain in the second round

by George Gregory

The central banks of Switzerland, West Germany, and Austria are now engaged in the explosive and, as far as they are concerned, fully anticipated second round of Third World debt rescheduling. Their aim is to "start a new game, and rearrange the pieces on the chess board," a top official of the German Bundesbank in Frankfurt remarked in a background briefing. Ushered in by the obvious failure of the International Monetary Fund package for Brazil, the de facto failure of similar packages for Argentina and Mexico, and the failure to even patch together a package for Venezuela, the second round "makes the Anglo-American group bitter indeed," the official acknowledged. "But it's their own fault; they fundamentally misvaluated developments and their timing."

The rearrangement of the pieces on the chessboard starts with a thorough bashing of the United States and its banking system and follows through with a broad sweep against Britain as well. "Everyone has his damage quota," the Bundesbank insisted, "and one thing is sure: We are not going to be the ones to pay up."

The Brazilian crisis is, of course, the immediate focus of attention, but not the only one. When the Central European central banks, starting with the Swiss National Bank, refused to arm-twist their banks into refilling the "Project 4" interbank credit lines for Brazil, it was a bitter pill for the Anglo-American group. But the Central Europeans had a very convincing argument: They could really not be asked to force their banks to act "imprudently" by increasing their loan exposure in Brazil beyond "responsible limits."

In a series of interviews, officials of these central banks outlined their policies for the second round crunch.

First, it is immaterial to the Swiss, Germans, or Austrians whether or not the United States government steps in for a grand-scale bail-out of the Brazilian debt, functioning as lender-of-last-resort to U.S. banks that have made interbank loans to Banco do Brasil. If the United States *does* step in for the bail-out, the ensuing dollar bubble will ruin the U.S. currency and economy. If the U.S. government bails out on a "selective basis," all the better. "We have to face the fact that some countries are such hopeless cases that it makes no sense to try to save them," remarked Dr. Baltensperger of the Swiss National bank (see *EIR*, June 14). If the United States

does not step in, and is otherwise incapable of any alternative option, the tidal wave against U.S. banks and the economy will be more than sufficient to "rearrange the pieces on the chessboard." Latin American policy makers are scrutinizing the alternative option of joint debt renegotiation and long-term industrial development proposed by *EIR* contributing editor Lyndon LaRouche in his "Operation Juárez."

The Swiss, German, and Austrian bankers intend to force a prompt decision on the United States and, secondarily, Britain. A conceivable alternative, the bankers admit, would be to continue the "soft landing" or "stretch-out" approach via the IMF, but the Central European private and central banks will not tolerate a "softening" of IMF conditionalities to that end. The Bundesbank argues point-blank that "it is not in our interest to just let the crisis unfold the way it has up to now, because that approach would run the extreme risk of having to confront the unexpected."

There are two sets of developments which Central European central bank officials confess they do not intend to deal with if they can avoid them: 1) Operation Juárez and thus the formation of a debtors' cartel with the muscle to force through common-interest forms of negotiation with industrial countries. The IMF cannot be permitted to back down on austerity conditionalities for Brazil, because that "would produce a chain reaction leading to a full-fledged debtors' cartel," said the Bundesbank; or, as the Austrian National Bank put it, "it would lead to a crisis to end all crises." 2) "The reaction of the United States is a factor of high uncertainty," noted the Bundesbank.

Does this "uncertainty factor" signify that the Bundesbank thinks that one of the "unexpected events" might entail the United States rearranging the "pieces on the chessboard" in its own way by accepting to negotiate with a debtors' cartel in the Operation Juárez context? "That is not inconceivable," the Bundesbank admitted.

Banking 'prudence'

It has been known for some time that the Central European banks have written off a considerable share of their non-performing loans to both Eastern Europe and Latin America, and that they have set aside provisions against loan losses

amounting to veritable war chests, which are the envy of U.S. and British banks. An officer of Lloyds Bank in London asserted knowingly, "The Swiss are waiting for the chicks to come home to roost, and the Germans are going along with them. Watch the Bavarian banks. They and the Swiss think they can get out of this unscathed." At Schroeder's Bank, the curses are flying: "The Swiss are nuts; they are dangerous nuts!"

As usual, the Anglo-Americans are the last to figure out the game. Swiss behavior up to now has been attributed to displeasure over "the methods applied by the Americans in certain features of the Mexico or Brazil negotiations," which is "not a unique feeling." Nor is the "Swiss sense of realism" unique.

The Central European central bankers are now perfectly willing to declare what their evaluation has been all along: that the debt crisis that was triggered in 1979 by U.S. Federal Reserve Chairman Volcker's high-interest-rate-policy signaled the terminal phase of the United States' decline as a political and economic power. To Central European bankers, who pride themselves on lineages that have survived the rise and fall of empires, having to wait for a mere four years for the final "financial touché" is a minor problem. In London, it is being recalled nowadays that the Swiss proved astute in the art of moving Nazi gold and other assets around the world during and after the war, without requiring the apparatus the world later came to believe in as the "international financial system." In Vienna, too, the truth about the debt crisis is being discussed openly. "We knew from the beginning that the IMF packages would not work," one Austrian National Bank official said. "We made our point about prudent banking step-by-step; but fundamentally even the original Mexico rescue operation was imprudent banking." He continued: "Under the Bretton Woods system, if one country got in trouble, the IMF could and would step in to help. We had a number of such cases. But the community as a whole was sound. Then it made sense to recommend that a country cut imports and increase exports to improve its debt-service ratio. But, when

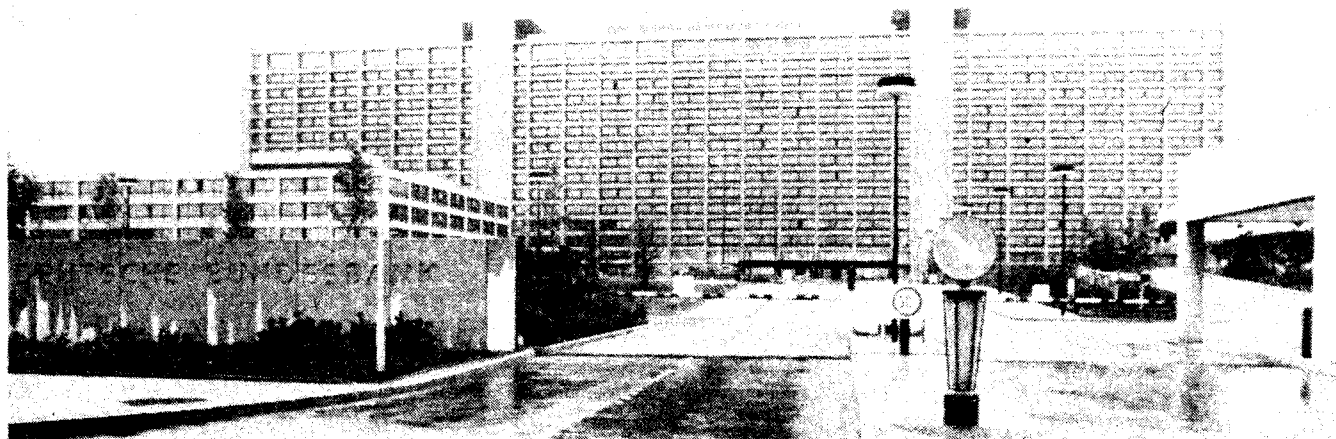
you have 40 to 50 countries in trouble, and you apply the same approach of recommending fewer imports and higher exports, it is rather obvious that these 40 to 50 countries account for about 25 to 30 percent of world trade; so the arithmetic just cannot add up."

That is the sort of logic that should have been obvious to anyone who observed the accelerating deterioration of industrial countries' internal debt-service ratios and those of developing countries over a period longer than the last four or five years. "Of course, now we are at the point where it is less important that the crisis is accelerating and more important that people's awareness is accelerating, and they are having to face the facts. We never trusted the rescheduling game," said the Austrian banker.

Politically and strategically, it is significant that the Central Europeans intend to dump that game now. The Austrian National Bank, like the German Bundesbank and the Swiss National Bank, argued that "it would be extremely dangerous at this point to just let things go on. The crisis is not in control. There is big opposition to IMF austerity in Latin America, and a high probability of populist governments emerging with alternative options of their own. It is rather comical to see de Larosière [IMF chairman] running through Europe trying to collect \$4 billion from central banks, but this is no time to soften IMF conditionalities."

And what political conclusions do they draw from this? "The key parameter is the debt-service ratio in relationship to the real economy. We see no improvement in the debt-service ratio for the foreseeable future, certainly not within the next five years." The Swiss are saying that if a country has a leadership they trust, it will get funds, within limits and for purposes that have nothing to do with industrial development. If not, let the country collapse, and wait until a more amenable leadership comes in.

Is there any objection to this view within the Central European combination? "Well, that is a typically Swiss way of formulating the issue," said one member of the coalition.



The Bundesbank in Frankfurt, part of the Swiss orbit in the current policy split.

U.S. administration begins to look at new options for meeting debt crisis

by David Goldman

At a press conference following his speech before the National Foreign Trade Council June 8, Treasury Secretary Donald Regan told this publication that it was impossible for Ibero-American nations to form a debtors' cartel. "They would never be able to get credit from any source ever again," the Treasury Secretary said. Regan, who has argued consistently that the recovery will by itself take care of the world debt crisis, and that the United States need do nothing more than support the existing International Monetary Fund framework, may already have lost much of his influence over American international economic policy.

Until the emergence of the present Brazilian crisis, the viewpoint defended inside the administration by Secretary of State George Shultz and Secretary Regan, i.e., that the recovery would automatically cure the debt crisis, remained the conventional wisdom. In different ways, many other departments of the administration argued that Shultz and Regan were leading American policy into a trap; objections were raised, from conflicting standpoints, at the Commerce Department, the Central Intelligence Agency, the Special Trade Representative's Office, the National Security Council, and the Council of Economic Advisers.

IMF discredited

According to officials who believe that the Shultz-Regan policy is potentially disastrous, the Brazil crisis has opened the first prospects of a change in the administration viewpoint, creating circumstances where those who have long argued that the debt crisis must be approached on a global basis and dealt with as a crisis of the monetary system will be heard. One possible sign of the times is the soon-to-be-announced departure of the National Security Council chief international economist, Dr. Henry Nau. In a discussion with *EIR* during the Williamsburg summit, Dr. Nau argued that the existing mechanisms, including the IMF, were more than capable of containing the debt crisis, and that the Brazilian situation represented no cause for policy change of any important kind.

George Shultz had concentrated his efforts on a proposal to expand the IMF into a super-agency incorporating the functions of the General Agreement on Trade and Tariffs (GATT). The Shultz argument was that developing countries must be compelled to further open their markets to Western

goods, as well as financial institutions in the home financial market, in such fashion as to permit creditors to restore now-suspended credit lines with confidence. However, the Brazilian crisis has pre-empted the proposal to expand the powers of the IMF by discrediting that institution. Proposals to enhance its powers will go back into the State Department refrigerator.

At the IMF's Washington headquarters, the catch-phrase for fear of what the American administration might do once the Shultz-Regan approach were abandoned is "bilateralism." Under this rubric, IMF officials perceive an American propensity to abandon the Fund, with which the administration has already sparred over the U.S. budget deficit and U.S. military spending, in favor of a direct approach on behalf of American interests. For the first time, option papers are being prepared for possible negotiations between the United States and an Ibero-American debtors' cartel.

No room for error

The President's big problem is that he will have to act very quickly when the crisis breaks. Many observers do not consider this administration capable of making fast decisions under conditions of internal strife should a crisis break out. At the point where it should be moving a plan into place to prevent the collapse of the Brazilian debt from bringing down the American banking system, the administration is only beginning to discuss possible courses of action. Under these circumstances, President Reagan will need to move decisively, with practically no margin for error, to avoid consequences which may be difficult to reverse.

Senior administration officials believe that the first response of the United States to a Brazilian debt moratorium would be to throw additional money at the problem. Previously the United States has made short-term bridge loans to both Mexico and Brazil, in order to avoid default, in the Mexican case in September of last year, and in the Brazilian case in December of last year. The problem, administration officials add, is where the money may come from. The administration is already having great difficulty persuading the House of Representatives to approve \$8.4 billion in quota increases for the IMF, although the Senate appears to agree to the quota increase. The administration does have discretionary funds in the Treasury's Exchange Stabilization Fund,

although the Exchange Stabilization Fund was never envisioned as a source of loans to developing nations who are unable to meet their debt payments.

It is not legally possible for the Federal Reserve to provide funds directly to the Brazilians, because the Brazilians have no existing swap lines with the Fed; the only nation in Ibero-America with swap lines available from the Fed is Mexico, which has drawn the full \$700 million available to it already.

Congressional leaders have already warned the White House that Capitol Hill would view the use of Exchange Stabilization Fund resources as a violation of the purposes of the fund, and that such action would endanger the passage of the IMF quota increase in the House. According to some inside estimates, Secretary Regan is likely, on past profile, to make a loan in an emergency situation without taking into account political reactions to such a decision. In any case, emergency loans will not remedy the essential situation.

A major question mark is the role of Paul Volcker. Administration sources emphasize that he has practically no chances of remaining in his job.

Volcker was the official who stampeded the other administration departments into assembling the bailout package for Mexico last September. In a speech before the New York University graduating class at commencement June 3, Volcker warned that failure to deal with the international debt crisis could have deadly repercussions to the United States.

Privately, Volcker thinks largely along the same lines as Lazard Frères partner Felix Rohatyn or Princeton University Professor Peter Kenan, who have proposed to turn the IMF into a super-agency, with powers to absorb the debt owed by developing nations to commercial banks, decentralizing the debt and bailing out the banks in the same action. The unpopularity of this viewpoint in the administration has left Volcker somewhat isolated, and Volcker's open collaboration with IMF staff in lobbying for a decrease in the federal defense budget is a major factor in the White House's reluctance to reappoint him.

The present hostility of the administration and most of the Congress to enhancement of the IMF's scope of action already represents a major obstacle to the reorganization plans favored in London, and, to some extent, at the Council of Economic Advisers and the Commerce Department. Volcker's absence in deliberations over the Brazilian debt crisis would take out of the picture the most important agent of influence that proponents of the Rohatyn approach have in the U.S. government.

The United States and Operation Juárez

The administration is effectively left with two options. One is to accept an international banking crisis. The other is to fulfill the worst fears of the IMF, and adopt a bilateral approach with respect to the developing nations, and Ibero-America in particular. Under such an approach, the United States would agree to a long-term debt stretch-out of obliga-

tions of the developing sector nations, in order to immediately lower the debt service ratios of those nations to the point that they could meet some part of current debt service with a reasonable portion of their existing export earnings. To be put into effect, this form of Chapter 11 reorganization of the Ibero-American debt would have to be accompanied by the *provision of new trade credits*, enabling those nations to import the capital goods required to enhance productivity and continue their process of industrialization.

This is the approach launched by *EIR* founder Lyndon H. LaRouche, Jr. in 1975 with his International Development Bank proposal, an approach ramified in his "Operation Juárez" policy document circulated throughout Ibero-America for the past 10 months, and reflected in the Mitsubishi Research Institute's blueprint circulated for the past five years

The President will have to act very quickly when the crisis breaks. The present hostility of the administration to enhancement of the IMF's scope of action is justified. Mr. Reagan is left with two options: to accept an international banking crisis, or to undertake negotiations with the developing nations in pursuit of new trade and investment on a scale far more than sufficient to make good the old obligations.

under the title, "Global Infrastructure Fund." Under this approach the United States and other industrialized nations who wish to cooperate would fund major water, canal, transportation, electrification and other projects in the developing sector, such as to accelerate its industrialization and make the existing volume of debt service seem trivial by comparison to the size of developing economies several years hence. Ibero-America is hatching "Operation Juárez." That is the fact of life the United States must now contend with. It is past time that Washington, D.C. understands this method of overcoming the crisis, and understands that it is the only way to secure the national sovereignty and economic integrity of the United States and its hemispheric partners from the financial strategists who would welcome a Second Great Depression.

Swiss Nazis behind the mutiny in the PLO

by Mark Burdman

A cynical deal between the "Third Rome" imperialists of Moscow, the Nazi International ruling elites of Switzerland, and renegade factions in Israel's intelligence service lies behind recent efforts to place the Palestine Liberation Organization (PLO) under the full control of the deadly intelligence services of Syria and to destroy the PLO as an independent representative organization for Palestinian Arabs.

If this deal is not broken up through some new matrix of contacts initiated between the U.S. administration and the mainstream leadership of the PLO centered around Chairman Yasser Arafat, then the Middle East is set on a new course of war, terrorism, and religious fundamentalist upsurges. Under the operational control of Yuri Andropov's KGB, Syrian mafia leader Rifaat Assad's Praetorian Guards, and Libya's Colonel Qaddafi, a restructured and broken PLO would increasingly take on the posture and policies heretofore reserved for the so-called Abu Nidal gang, committing the assassinations and terrorist assaults in the Middle East and Europe that would be the convenient trigger for a new Israeli "pre-emptive" war move in the period ahead.

The present rebellion in the PLO has no more independence than a cocker spaniel. At best, certain of the griping dissidents are dupes manipulated in a game about whose stakes they have not the slightest comprehension. At worst, as *EIR* founder Lyndon LaRouche recently insisted, they are "no better than dogs" of the sort who gunned down PLO moderate leader Dr. Issam Sartawi in Lisbon, Portugal, in April of this year.

The Third Rome crowd in Moscow has an obvious interest in clipping Arafat's wings, and, if necessary, arranging his assassination, despite whatever "pro-Arafat" statements

"Red Czar" Andropov might make. The Third Rome expansionist push is currently operating according to two vectors: one, along the Moscow-Sofia-Belgrade-Kiev axis, is a pan-Slavic-tinged drive extending into Eastern Europe and beyond; the other, directed southward, is under the operational control of Soviet Deputy Prime Minister Geidar Ali Reza Aliyev, and can be called the Islamic Division of the overall Third Rome push. It is this vector of Soviet policy that is controlling, from the top, every aspect of the mutiny against Arafat's rule.

Moscow hardly shies away from using the worst elements of the reconstructed post-war Nazi International to carry out this policy, and here is where Switzerland, which has been appropriately dubbed "The Fourth Reich," comes in. After the last war, Swiss financiers like François Genoud and the patrons of the evil historical Geneva and Lausanne families incorporated into their international capabilities the former assets of the "minorities" divisions of the Nazis' intelligence apparatus, including the Second Division (Abteilung II) of Admiral Canaris's Abwehr and the Sixth Bureau (Amt 6) of Walter Schellenberg's 1943-44 Reichshauptsicherheitsamt.

The Swiss, historically and today, always tilt toward the perceived "stronger party." That perceived party today is Yuri Andropov's would-be Third Rome, and the Swiss conceive their role as creating as junior partner a Central European Reich as a buffer zone for the Soviet imperialist drive. In the process of creating this Mitteleuropa entity, the Swiss would be only too happy to blow the Mideast to smithereens, to put Europe under the effective energy blackmail of Mother Russia. If the American posture in the world is destroyed, through chaos and war leading to humiliating American backdowns

in the Mideast region, so much the better, in the eyes of the Mitteleuropa gnomes.

'We have to establish the Reich again'

Personnel at the Nazi International-front Swiss-Arab Association have been quite frank in recent discussions about the implications of the recent "mutiny" inside the PLO.

The Swiss-Arab Association is led by a coterie of Swiss feudalists who, in most cases, converted to a cultist form of Islam during the past decades, in order to take operational control over such mystic homosexual brotherhoods as the Sufi International and its various Freemasonic offshoots.

One Association director indicated this month that the anti-Arafat fanatics have a significant base of support in Switzerland among two tendencies: the Lausanne branch of the Swiss Communist Party, headed by Swiss CP leaders Madame Belguermit and M. Porchet of the "Swiss Palestine" group, and the Lausanne circle of Nazi International financier François Genoud, the bankroller of Muslim Brotherhood International leader Ahmed Ben Bella of Algeria. Speaking of this curious alliance, the director explained: "They have the same aims, but different motivations. Genoud is a Nazi, he has the authorship rights to Göring and Goebbels. For him, it is simple: the Jews must disappear. For the Communists, the issue is that they want no more state of Israel, they want one single state of Palestine. They have the same policy as the Abu Nidal group, in effect."

The deeper implications of the anti-Arafat "rebellion" were drawn by a good friend of Genoud in the Association. What is under assault, in reality, he said, is "the influence of Judeo-Christian civilization" in the PLO and in the Middle East more broadly. "Only the Iranian revolutionaries and the Muslim Brotherhood have understood this point," Genoud's friend, just returned from a mission in Iran, declared.

Genoud's Nazi comrade forecast that "Arafat will be killed," and replaced by a tendency identical to the late Grand Mufti of Jerusalem, Adolf Hitler's best ally during the war in the Arab-Islamic world and, after the war, a prime asset of Genoud and the Swiss. "The spirit of the Grand Mufti is still there," he declared. "It has new faces, new names, but it is there. Khomeini to a large extent is a true heir of the Mufti. Qaddafi is another one, he is a true romantic, a marvelous person."

The same source, who had recently circulated a analysis in private based on the idea that the United States was a "Jewish republic that should rightfully be called 'United Shmuelevitz Ashkenazi,'" elaborated the geopolitical implications of such shifts in the Mideast. "I tell you we have to re-establish the Reich, based on the idea of a neutral central Europe, a 'Mitteleuropa'. . . . I have friends in East Germany with whom I am discussing this idea."

The Mossad angle

The Mideast situation is exacerbated by the bunch of "Spartans" now hegemonic in Israeli governing circles. These

clever fellows think the anti-Arafat rebellion relieves them of the pressure to negotiate an honest settlement on the Palestinian issue. "Israel and Syria have a deal: partition Lebanon and hand the PLO over to Syrian control," an Israeli source opposed to the Spartans told *EIR* the second week in June. "Syria wants to bully Arafat, to humiliate him, to make him know he exists only on Syrian sufferance; this helps the Syrians' own visions of grandeur. Israel is only too happy to oblige: what could be better than to not have an independent PLO around that would potentially negotiate a general settlement with Israel in the region?"

This is the same kind of thinking that has led Israel into alliance with Khomeini's butchers in Iran and into last year's disastrous and costly invasion of Lebanon. The clever Spartans think they are buying themselves security, but as they are only pawns in the Third Rome-Fourth Reich game, they are selling Israel's soul to the same devil who wants to destroy Israel in the end, to the François Genouds of Switzerland who simply want the Jews to "disappear."

The fate of Bathsheba's husband?

Caught in the interstices of the Soviet-Nazi alliance to destroy the Middle East, Arafat at this point would have to make some urgent strategic moves to save himself and his organization. Recent overtures by him to the governments of India (head of the Non-Aligned movement), Romania, Algeria, and Saudi Arabia, have provided some channels outside of Andropov control. However these or other moves could evolve into a process of dialogue with non-State Department-controlled American circles which would be crucial in re-establishing some prospect of independence for the PLO and a process of legitimate negotiations for the creation of an independent Palestinian state.

In the meantime, there must be a frank effort to strip the rebels of every shred of legitimacy. Rebel commander Abu Musa in Lebanon is a Soviet Marxist pawn in the game. Veteran dissidents George Habash of the PFLP and Nayef Hawatmeh of the PDFLP are respectively a mystic of the Greek Orthodox Church cults in the Mideast and a catspaw of the Soviet KGB. The Abu Nidal band are self-evidently extensions of the Nazi International global apparatus.

As for the PLO base, the choice before them was suggested by a sage familiar with the sweep of broad processes of history. "The PLO could soon go the way of Bathsheba's husband," the sage commented. "In the Old Testament story, King David wanted the sultry Bathsheba. But she was married. So King David sent Bathsheba's husband to war, so that he would be killed and so King David would possess her love.

"The PLO is soon to become the modern version of Bathsheba's husband," the sage said. "Assad wants to send them into Lebanon to be cannon fodder to provoke a new Mideast war. Meanwhile, Assad stays at home with his beloved Bathsheba. The PLO should wise up," he concluded. "Does it want to become a victim of Assad's Old Testament plot?"

Who wants to make Carli premier of Italy?

by Umberto Pascali

With only three weeks to go before the June 26 general elections in Italy, Bettino Craxi, the secretary of the Italian Socialist Party (PSI) understands that his short-term chances at becoming premier are decreasing. A new star is rising in the sky of the Italian traitors: the star of former Bank of Italy governor Guido Carli.

It was Craxi who provoked the early elections immediately after he got the green light from Henry Kissinger in Milan April 18. Craxi had hoped that the moment had finally arrived to conquer the premiership. But the Milanese meeting with a Kissinger who only a few hours later was a fugitive from Italian justice, was not auspicious for the socialist would-be "new Duce." A few days later, the Venetian oligarchy decided to dump him, at least for the moment, and to run Carli as an independent candidate for the Christian Democracy, the Italian ruling party. The media began a barrage on the theme, "Carli will be the next prime minister or the superminister of the economy." Craxi was forgotten.

The decision to run Carli on the Christian Democratic slate represents a definitive break with the party's traditions. Carli has always been against the Christian Democracy, which he and his circles have condemned as the "Mafia party" or as the "party of the welfare state," and as opposed to austerity and "rigor." Carli represents the Venetian, masonic, "lay" (anti-Catholic) circles, the tradition of the Italian Republican Party's Ugo La Malfa, the forces that were implicated in the 1962 assassination of Enrico Mattei, the Christian Democratic Resistance leader during the liberation war against Nazi-Fascism and postwar founder of public industry in Italy. Carli represents the circles of Fiat magnate Gianni Agnelli and the Trilateral Commission.

The alliance of oligarchist and financial forces behind Carli and the "new Christian Democracy" is the combination that will be able, if successful in the election, to implement the economic program elaborated by the two Grand Commissars of the Venetian oligarchy: Senator Bruno Visentini of the Italian Republican Party and the director of Olivetti Corporation, Carlo De Benedetti. The two Venetian agents have been asking publicly that Italy be declared a "bankrupt

firm," and put under "receivership."

"Every Italian family owes 20 million liras of debts and they don't know it," De Benedetti said recently, stressing that either the "receivership" program will be accepted or there will be an immediate danger for the Italian democratic institutions. The threat is very clear: either you accept our coup, or we will organize a more traditional one. Both Visentini and De Benedetti have said that it is necessary to limit the sovereignty of the Parliament so that political parties and parliamentarians do not decide on financial and economic issues that must be handed to "technicians."

"There are precise means to reduce the interests of the parties in occupying positions of power in the economic system," stated Carli to *La Repubblica* on June 3. "For example, one could create a new juridical system able to limit certain officials' discretionary powers." The first economic proposals presented by Carli are a one-year wage freeze and a special tax on all capital. Or as Visentini said: "We must tax any income, including that of the owner of a single chicken."

The apparent fight going on now between Carli and De Mita's Christian Democracy and the Socialist and Communist parties is understood by any intelligent observer as a cover story; in fact, both the opposing forces agree on the De Benedetti-Visentini plan. It is likely that after the elections the "Communist opposition" will be called in to help Carli, who has links to the Communists, finally destroy the country.

As prime minister, Carli could finish off what remains of the Italian economy in a few months, as a precondition for losing the United States an ally in Europe, exactly what the Third Rome fanatics around Soviet leader Yuri Andropov want. That's the key matter to understand in the Italian elections. Except for the aggressive presence of the European Labor Party (POE), which has started a campaign against Project Carli, the election is a bad joke.

There are a lot of skeletons in the closet of Guido Carli that are going to come out. Although Carli has been naively accused of being "a Communist agent," he is a member of the inner group around Princess Elvira Pallavicini, the "mother" of the Black Nobility of Rome—that tribe that never even accepted the existence of a unified Italian kingdom, let alone the Republic—and the sponsor of schismatic bishop Marcel Lefebvre. Carli is also president of the LUISS (Free International University of Sociological Studies), a private university financed by the Pallavicinis' intelligence network, Pro Deo. Despite alleged "monetarist purity," Carli was a sponsor of mafia banker Michele Sindona and has always prevented any serious intervention by Italian justice into Italian banking, the Bank of Italy in particular.

In early June some papers reminded their readers about the assassination of Palermo attorney Cesare Terranova, just a few hours after he had sent a letter to the Bank of Italy calling for an immediate financial investigation into some Sicilian bankers. As soon as the confidential letter reached Carli's central bank, someone gave the order to kill Terranova.

The Jesuit 'New Reformation' conspiracy is targeting Reagan and the Pope

by Luba George

Hans Küng, Edward Schillebeeckx, and Jacques Pohier, the three leading "Concilium" members who were censured by the Vatican in 1979 for their schismatic activities, organized a private symposium in Tübingen, West Germany, May 26-29 to map out a strategy for bringing about a "New Reformation."

The secretive proceedings, bankrolled mainly by the pro-zero-growth U.S. Rockefeller Foundation, were dedicated to ensuring that neo-Malthusian death-worshippers soon overthrow both Pope John Paul II and the President of the United States, Ronald Reagan. The starting point will be the Jesuit-manipulated conflict in Central America. One of the centers of the conspiracy is Chicago, a hotbed of dissident death-cultists in the Catholic Church, which sent a sizeable delegation to the Tübingen coven.

The early part of the symposium was strictly "off limits" to journalists and the uninvited. Ms. Snijdewind, a Dominican Sister from Holland who helped organize the symposium, told journalists that Hans Küng had given "strict orders not to let anyone who was not invited into the conference. . . . We don't want any leaks by the press," she explained. "The conference is limited to the 40 to 50 people who have been invited. We have invited 20 to 30 theologians from Latin America, Europe, and the United States. . . . The whole thing is very *political* and we don't want any leaks. . . . We have to see how far the United States and Latin America are willing to participate in a structural change in this coming period."

The only journalists in attendance, those from *EIR*, have provided the following eyewitness account of the proceedings and the discussions, which were summed up during the last two days of the conference.

'Hour of trial for the United States'

The principal political target of this unholy gathering of Liberation theologians was President Reagan's recent speech announcing plans to develop defensive directed-energy beam weapons to end the age of nuclear terror.

Anton Weiler, one of the founding members of the Con-

cilium, told *EIR* prior to the symposium: "This is the hour of trial for the United States. . . . The U.S. bishops have already begun to react to Reagan's March 23 speech and his military build-up plans. . . . There is a deep concern that Reagan may be reelected. . . . The American Church must be a church not based on the old messianic vision and the ideology of national security. . . . Theologians are trying to understand the different times and different ways of making theology. . . . The bishops will play an important role in the future, and it is important that the United States and Latin America secure their own election of bishops . . . out of the hands of the Vatican."

On the last day of the symposium, whose official theme was "A New Paradigm of Theology," Hans Küng and his co-schismatics from Chicago led the panel discussion summarizing the key points and targets worked out during the week.

"The concept of a New Paradigm has given this conference hints and guesses for a future theology," said Küng, "a process which will emerge under the strains of *massive global suffering*." Küng called on the theologians present to prepare for, citing Arnold Toynbee's phrase, a "time of troubles. . . . But first we must break with the traditions of the past . . . the tradition of the Renaissance and Enlightenment and the Idea of Progress which has dominated the West."

David Tracy, a theologian from the University of Chicago's Ecumenical Research Institute, made the following contribution:

"The period we have entered demands new ways of doing theology and demands us . . . through Liberation Theology . . . Feminist, Third World, Black Theology . . . to change the social and ecclesiastical institutions in which we live and in which we *die*. . . . The new paradigm is not an achieved path or model but an eschatological and dialectical process which will bring forth a *new Church* in a renewed world."

'The Monroe Doctrine must be destroyed'

Martin Marty, a prominent Protestant theologian from Chicago, took to the podium to incite fundamentalist fervor against President Reagan and the United States: "The 'nostre

etate' [our state, i.e., the nation-state] idea of Christian dominance must be abandoned. . . . But in order to emerge with a New Paradigm we have to let the old one die.

"Our God is *not* the God of Dominion and Stasis . . . but God of Pathos and Process . . . God of the Oppressed and Poor. God is not to be seen as the Dominator of the World and Nature.

"The Falkland Islands experience showed us that the Monroe Doctrine which dominated American foreign policy since the 19th century still represents the patriotic norm and can still easily be used to stir the patriotic passions of the American people. . . . The role of the theologians in this coming period is to help the population break with this tradition and put a check to the kind of economic-political dominance represented by the Monroe Doctrine and evident in U.S. foreign policy today . . . especially in Latin America.

"The U.S. Bishops Conference call 'to recover and regain new modes of conflict resolutions' is a positive sign of things to come . . . as shown by the bishops' refusal to go along with Reagan's newly announced arms plans. . . . Theology must put a check on development of these weapons. We as theologians have to challenge the social-ethical practices of scientists. We have to collaborate with scientists, social scientists, Third World leaders, feminists, and the black movement to put a check on Reagan's policies. . . . The demonic messianic tendencies and economic-military dominance of the United States must be challenged."

What is the Concilium?

The Concilium group, otherwise known as the Concilium Foundation, was formed immediately after the Vatican II Council in the early 1960s to foment a schism between the Vatican and the Liberation Theology-created Church of the People of the Americas and Africa.

The Concilium members have the impudence to imply that their movement against the Roman Catholic Church leadership has something historically in common with the 15th century Conciliar movement, led by great reformers such as the Platonists Cardinal Nicholas of Cusa and Cardinal Bessarion. At the same time, they do nothing to hide their alliance with the neo-Nazi Green movement, whose goal is to bring about a New Dark Age, with massive loss of human life. Almost simultaneous with the Tübingen conference, West German Green Party ideologue Rudolf Bahro announced that his party's object is also to spur a New Reformation. Bahro's other most notable recent statement of purpose was that the clock of history should be turned back at least 10,000 years, to the point before mankind began meddling with the balance of nature!

The three Concilium founding members, Küng, Schillebeekx, Pohier, were censured by the Vatican (the Vatican no longer excommunicates) for their open and vociferous attacks on the institution of the Catholic Church. They attack the Church because, in the developing countries, the Church

still acts as a moral bulwark against the genocidal, zero-population-growth prescriptions put forward in the neo-Malthusian *Global 2000 Report* and similar documents. The goal of the Concilium members is to transform the Church into a temple of Khomeini-like fanatics, the major tenet of the "paradigmatic shift" they called for at Tübingen being the total rejection of science and technology. Reagan's March 23 speech calling for the development of defensive weapons based on new physical principles threatens their Gnostic neo-Malthusian belief structures.

The seat of the Concilium Foundation is in Holland at the Catholic University of Nijmegen. Dutch Cardinal Alfrink, now retired, and Belgian Cardinal Suenens, who for many years ran the Jesuit University of Louvain, Belgium, and initiated the Catholic charismatic movement, were the leading spiritual advisers at the founding of the Concilium movement. According to Concilium member Giuseppe Albergio, the movement was based on the one-worldist idea of ecumenism or "conciliarity" developed by the Russian Orthodox and Anglican Church dominated World Council of Churches.

In 1978, the end of the Carter administration and shortly before Wojtila became Pope, the Concilium held a symposium entitled "Towards Vatican III," whose aim was to effect a coup in the Vatican. According to Schillebeekx, a Dominican priest since banned by the Church, the Concilium's "reform" program was designed "to radically change the institution of the Vatican," by excising the *Filioque* and the infallibility doctrines from Church doctrine, "challenging" the Eucharist, and breaking up the power of the Pope and the Vatican through the creation of regional People's Churches under their own "super-bishop" or "mini-Pope."

The Concilium sees the *Filioque* clause of the Nicene Creed as one of the "first-order obstacles" in its pseudo-Christian ecumenical movement. The *Filioque* is the phrase meaning "and the Son" in the Apostolic Creed ratified by the Council of Nicaea in A.D. 325. Theologically, it means that the Son (Christ) shares co-equally in the divinity of God as a member of the Trinity; practically, from the time of Charlemagne in the eighth century onward, it has been the rallying cry for the idea of the necessity of technological progress. If Christ, who is both divine and human at once, is fully part of the Godhead, this means that man must fulfill his own divine nature by continually completing the work of Creation. The Eastern Orthodox Church rejected this principle and still rejects it today—indeed, hatred of the *Filioque* is one of the major ideological bases of the anti-humanist "Third Rome" cult centered in the Russian Orthodox Church, which is behind the current irrational rejection by Soviet policy makers of President Reagan's offer to jointly develop defensive weapons that would end the age of nuclear terror.

The breakup of the Church combined with the elimination of the *Filioque* clause would create the conditions for the "universal fascism" preached today by former Nazi Armin Mohler in the guise of the "New Conservatism."

Father Hesburgh's 'Chicago boys'

A leading component of the Concilium movement is a group of American theologians based at the Ecumenical Research Institute of the University of Chicago and overseen by Father Theodore M. Hesburgh. Hesburgh's Chicago boys—Concilium members Father Andrew Greeley, David Tracy, and Martin Marty—were behind the operation in Chicago two years ago to discredit Cardinal Cody and drive him out of office. Under the tremendous psychological pressure of the press slanders, the aged Cardinal Cody died shortly after. By eliminating Cardinal Cody, they paved the way for Archbishop Joseph Bernardin (of Cincinnati) to become cardinal of Chicago. Now that Hesburgh and friends have inserted Bernardin into the College of Cardinals, they plan to wield a disciplined voting bloc of zero-growth, Malthusian-minded "liberal" cardinals to control the College politically and determine the election of the next Pope.

Hesburgh invited Schillebeekx, Küng, and associates to the United States to hold the Vatican III Concilium discussions in preparation for the planned coup inside the Vatican. The operation was squelched by Pope John Paul II, leading to the expulsion of Schillebeekx, Küng, et al. at the end of 1979. The Vatican III program has been officially abandoned "for the time being," according to Schillebeekx.

Hesburgh and the Concilium schismatics, who include Jesuits, Dominicans, and Calvinists, are "waiting for the Pope to die," according to Schillebeekx. He told the journalists attending the Tübingen symposium: "The reforms have been brought to a standstill. . . . No reforms will take place under the present Pope. The present Pope is a monarch. He and Cardinal Ratzinger are our biggest obstacles inside the Catholic Church. . . . His [the Pope's] death would be a restoration for us. . . . We are focusing on working with the grass roots and the Churches of the People in central America and Africa to break the tradition of the Church."

Father Theodore M. Hesburgh is one of America's most prominent Liberation theologians and has extensive contacts with Liberation Theology networks in Latin America. Hesburgh is a passionate opponent of centralized power in the Papacy, because of the Papacy's opposition to population reduction policy. He insists that the Church must have an "increasingly decentralized and declericalized future." In a personal crusade to see "developing-country technology which is labor intensive rather than capital intensive," Hesburgh targets both the nation-state and the notion of national sovereignty.

In a 1974 call for dividing the world into the precise tri-regional superblocs called for in George Orwell's book *1984*, Hesburgh declared: "The greatest enemy to all of these proposals is nationalism, a kind of historical insanity." With Father Peter Henriot, S.J., of the Jesuit Center for Concern in Washington, Hesburgh authored an attack on the history of U.S. technological advance. Wrote Hesburgh and Henriot: U.S. technological advance has been "energy intensive and

resource-consumptive"; economic policy must shift to be "more service oriented and knowledge-intensive, and less geared to production of goods."

Hesburgh also served as a director of the New York Council on Foreign Relations' "Project 1980s" study, which predicted the "controlled disintegration" of the world economy in this decade. He became chairman of the board of the Rockefeller Foundation, one of the pre-eminent funders of population reduction and environmentalist programs worldwide, in 1977. He has also served on the boards of directors of Chase Manhattan Bank and Morgan Guaranty Trust. From 1971-1981 he was chairman of the Overseas Development Council (ODC), a joint creation of the Council on Foreign Relations and the Rockefeller Foundation, which became the official sponsor in the United States of the Brandt Commission "appropriate technologies" anti-development program. The Rockefeller Foundation, it will be remembered, was the key financial backer of the Tübingen symposium.

Küng and Metz

Hans Küng, a Swiss-born, Jesuit-trained Catholic, is being promoted up by the Concilium crowd as the "new Luther" leading the New Reformation. The outcome of the first Reformation was the Thirty Years' War, in which the population of parts of Europe was reduced by half. This carnage is what Küng is referring to when he evokes the image of "a time of troubles."

Küng, who is a professor of theology at the University of Tübingen, heads its Institute of Ecumenical Research. He is the author of *Infallible?—An Inquiry*, a work that deliberately picked a vulnerable issue on which to attack the Vatican. The Vatican declared *Infallible?* a "deviation" of Church dogma of the infallibility and Christian-Catholic beliefs.

Küng to this day accuses the "hierarchy" in West Germany of "collaborating" with the Vatican "to destroy the credibility of one of their own theologians in a surprise pre-Christmas attack." The censure against Küng came just before Christmas 1979.

Johan Metz, an ordained priest who is a close associate of the censured Küng and helped to organize the Tübingen conference, is the acting president of the Concilium and is in the forefront of Liberation Theology activities in Latin America—and more recently in Central America—to "regionalize" the Church (i.e., to split the Church into autonomous or semi-autonomous regions). Metz has just returned from Central America where he met with top Jesuit Liberation theologian Xavier Gorostiaga, the deputy planning minister in Nicaragua's Sandinista government. Metz is a member of the Rockefeller-created Inter-American Dialogue.

Metz and Küng both coordinate their activities closely with Hesburgh and the Chicago boys, and were personally involved in the Cardinal Cody case. Metz's schismatic views on the need to regionalize the Church have been published in his 1981 book, *The Emerging Church*.

Terrorism and drugs pose the greatest threat to Spain's national security

by Mary Goldstein

Spanish businessman Diego Prado y Colón de Carvajal, a personal friend of Spanish King Juan Carlos and leading Spanish political figure, was released outside Madrid June 6, seventy-three days after he was kidnapped by terrorists of the Basque separatist gang ETA. The cost of his release: a ransom estimated at \$1 million, paid outside of Spain to avoid surveillance of Spanish police authorities. This money will now go into the ETA war chest to buy the arsenal with which it wages war against centralized government in Spain.

Spanish security officials, cited in that nation's press, have expressed dismay and disgust over what they call the lack of cooperation from Prado's family, which not only proceeded, against official request, with ransom negotiations, but frustrated police attempts to solve the case at every point, putting family interests above those of the state and the constitution. The result is not only the funding of ETA for more bloodshed, but another humiliation of police and central government authorities.

The terrorism problem

The Prado case underscores one of Spain's most serious security problems: the almost endemic terrorism that has wracked the country for decades. A week does not pass without a terrorist attack in some part of Spain by the ETA, which has pledged to destroy the Spanish nation, or one of a number of other ultra-left or regional-separatist terrorist gangs, whose activities have escalated after a short-lived "ceasefire" following the December 1982 inauguration of the new Socialist government of President of the Council of Ministers, Felipe González.

As Interior Minister José Barrionuevo points out in the interview below, (see p. 37) the terrorist problem has a "double gravity." Beyond the crime in itself, terrorism, he says, acts as an "incentive" to the "most reactionary sectors of the country" who opposed Spain's transition from Francoism to democratic rule. Bluntly put, the inability to check terrorism in Spain can be used as a basis for coup-plotting and the undercutting of Spanish sovereignty.

Interior Ministry efforts to crack down on terrorism have been hampered by policy disputes with the Justice Ministry headed by Joaquín Ledesma (interviewed below, see p. 39). The Interior Ministry has met resistance in its attempts to prevent the payment of ransom in kidnapping cases and end the widespread use of intermediaries to negotiate the release of kidnap victims. An Interior Ministry measure requiring registration of all apartment and dwelling residents was rescinded in early June in the wake of popular opposition.

The major terrorist center is the northern Basque region, one of the industrial centers of Spain and a long-time hotbed of separatist activity. The Basque regional autonomous government is run by the National Basque Party (PNV), which leading up to the municipal elections May 8 virtually refused to aid the anti-terror fight unless its demands for further autonomy from the Madrid central government were granted. ETA's above-ground arm, the Herri Batasuna Party, enjoys legal status and holds seats (which it boycotts) in the Basque parliament.

Basque government head Carlos Garaikoetxea reportedly met with known ETA terrorist exiles in Ibero-America, during a trip to visit Basque communities in Panama, Venezuela, and Colombia. During his stop in Venezuela, he is said to have refused to salute the Spanish national flag above that of the Basque, and, in flagrant opposition to previous agreement, met with Venezuela's president without the presence of the Spanish ambassador in Caracas. At home, the Herri Batasuna was rioting in the streets against the Interior Ministry's comprehensive new anti-terror plan for the Basque region.

Called the Special Northern Zone (ZEN), the plan's basic aim is to centralize police operations in Madrid, and to increase police presence and performance in the Basque through special training and creating a psychological-social climate against ETA. Already, police surveillance has been tightened in the area, resulting in large-scale arrests of suspected ETA members. Cooperation with French authorities has recently increased notably, a critical development since ETA operates

mainly from safehouses across the border in the French Basque.

Drugs: more dangerous than terrorism?

Closely tied to the terror problem is the looming security threat of drugs. For some years, both the Communist Party of Spain and the Socialist Party Youth have proposed not only the decriminalization of both soft and hard drug consumption, but the creation of a state narcotics monopoly based on the concept of the French *Regie Française de Tabacs*. The individuals associated with this campaign in the Spanish Socialist Party include the present minister of education, José Luis Maravall, and Justice Minister Joaquín Ledesma.

Spain's Parliamentary Justice Commission proposed in late April a reform of the penal code by which both soft and hard drug consumption would be decriminalized. In fact, as Interior Minister Barrionuevo points out, drug consumption has never been a crime in Spain. What is punishable is drug trafficking, and there are proposals that the reform include decriminalization of possession and trafficking of, at least, "soft" drugs.

Unofficial estimates of drug consumption in Spain indicate that 45 percent of those over 14 years old smoke hashish (15 to 20 percent of these habitually), while 1 percent of the entire Spanish population (of all age groups) uses heroin. Spain is a major transit point for cocaine and heroin flooding into Europe.

The penal code reform comes up for debate in fall 1983. With the exception of a recent statement by the Spanish Catholic Conference of Bishops, attacking the "flabbiness of legal norms against consumption of drugs" as indicative of the moral collapse of Spanish society, there has been as yet little opposition mounted.

Anticipation of passage of this pro-drug reform is indicated by the tragicomic scene of a heroin addict filing charges at a local police station against her pusher, for supplying bad heroin at inflated prices.

There can be little doubt that ETA, among other terrorist groups, is involved in a drugs-for-arms trade, despite the lack of hard evidence to date. Police director general Rafael del Río, interviewed recently in the Catholic daily *Ya*, acknowledged that "on some occasions we have had indications that ETA was behind some drug operations, but this could not be shown to have been in Spain itself. We have, however, been able to prove that ETA is involved in counterfeit money."

Del Río went on to state that "terrorism produces a bigger impression, but drugs lead to a type of criminals who are enormously aggressive, able to become savage in their aggressions and to sow an unforeseeable disquiet in society. I believe that the rush toward drugs in the long run can cause greater instability than terrorism."

Interview: Spain's Interior Minister

'Terrorism is an incentive for the enemies of democracy'

Interior Minister José Barrionuevo, 42, describes himself as having been a Carlist radical in his youth and a member of the Francoist student union, SEU. After several years as a journalist and lawyer, Barrionuevo became head of police affairs for Madrid. He does not share the view that terrorism is an inevitable sociological phenomenon. He has proposed a number of anti-terrorist measures, including the registration of all house rentals and purchases of police computers for monitoring purposes, the freezing of kidnap victims' bank accounts to prevent ETA from receiving ransom funds, and the outlawing of the intermediary system (the use of paid go-betweens to conduct negotiations between ETA and kidnap victims' families). Barrionuevo has also strongly opposed measures such as the proposed British-style habeas corpus law that would inhibit questioning of detainees.

The controversy referred to in the interview between Justice and Interior ministries grew out of the Interior Ministry's attempt earlier this year to crack down on ETA and other terrorist operations in Spain. The kidnapping of Mikel Echeverría, the son of an industrialist who had paid the so-called revolutionary tax to ETA for years, prompted dozens of industrialists and professionals from the area to confess to having paid protection money to the terrorist groups for years. However, when the Interior Ministry intervened by prohibiting mediation with the terrorist groups and freezing victims' bank accounts, the Justice Ministry counteracted both measures, and at the same time forced Manuel Ballesteros, the former head of the Joint Counterterror Command, to testify to the French government on a shootout between the police and ETA terrorists on French territory.

This and the following interview were conducted in Madrid in April by EIR correspondents Anno and Elisabeth Hellenbroich and Katherine Kanter. Interior Minister Barrionuevo was interviewed April 19.

EIR: What, in your opinion, is the most serious security threat facing Spain today?

Barrionuevo: All the security problems are serious, because public opinion has also become much more sensitive

in a way that provokes very intense emotionalism. There are at times reactions which are not very rational, not very well controlled. Within the range of security for the population, without doubt what most alarms the Spanish public is terrorism. And where terrorism has its most notable, most important influence is in the Basque region, although there are at times terrorist actions in other parts of the country. This problem is serious not only for the terrorism in itself, for the criminal acts, but because it acts indirectly as an incentive for the most reactionary sectors of the country, who think that the democratic system is too weak to fight this kind of criminal activity and that consequently non-democratic solutions should be used. Somehow, it acts as a stimulant for the most reactionary part of the country, for the enemies of democracy. There lies the double gravity of the terrorist phenomenon.

EIR: It is well known that drugs-for-arms traffic is closely connected to the "black international." Thus, drugs are not only a social problem, but a serious security problem, as U.S. President Reagan recently emphasized. What measures are you taking to create a war against drugs, and how do you view the draft proposal to de-criminalize so-called soft drugs in Spain?

Barrionuevo: We have no evidence that the drug problem in our country is related to the terrorist phenomenon. There may be some relation, but it is indirect, minor. It constitutes a problem in itself, because drug traffic generates—apart from that form of delinquency and the effects on health—other types of delinquency: drug addicts commit assaults or robberies in order to buy drugs.

The Spanish police are taking measures against drug traffickers and they are partially effective. There are frequent busts of hard drugs, because Spain is not only a receiver or consumer of drugs, but also a transit point from countries in Africa toward Europe and even some points in America.

There is contact through Interpol and other channels with police of other countries to combat those forms of trafficking in Spain.

[Regarding legalization of drugs] here in Spain there is an intense discussion on whether or not to de-criminalize. As in other countries, drug consumption in Spain is not a crime. What is a crime is trafficking. . . . The practical situation is logically a greater tolerance toward soft drugs than toward hard drugs.

The truth is that there is still no firm position adopted by the government or by the parliament on whether or not to legalize trafficking, because as I said, consumption is not a crime in Spain.

EIR: Mr. Xavier Arzallus of the Basque Nationalist Party (PNV) recently proposed creation of an international commission on Basque terrorism, with names such as: Brian Jenkins of the Rand Corporation, Peter Janke of Control Risk, and Professor Leaute of the Sorbonne University in Paris and the Eurogroup, who is closely tied to criminologist

Giovanni Senzani.

EIR has published various reports on the more than suspicious character of these people, who can be characterized as sympathizers of the "terrorist phenomenon." What is your reaction to this provocation by Arzallus?

Barrionuevo: Well, I don't believe it to be a provocation. I think that proposal must be seen in the context of other, earlier statements and in the context of the electoral process in which we are immersed in Spain [the May 8 municipal elections].

We are in a phase in which there is an intense debate taking place in the Basque region between the Basque Socialist Party and the PNV, the two principal political forces there. The Spanish Socialist Workers Party (PSOE) charges, in my view with some basis, that the PNV's position on terrorism is not sufficiently clear or firm.

On the occasion of a traditional PNV celebration, a polemic erupted. There are understandable tensions during election time. Mr. Arzallus at that time made some highly criticized statements. And precisely because of those criticisms, which were very widespread, that suggested a certain inhibition on his part to fight terrorism, Mr. Arzallus several days later made that proposal to form a commission of international experts to make some kind of pronouncement on the terrorist phenomenon. But that should be viewed as a kind of dialectical or polemical way out by Mr. Arzallus to reduce the tension created by his previous statements, and to furnish himself a sort of escape valve; he wanted to demonstrate that he had original solutions. Original, indeed.

EIR: Any intensification of terrorism in Spain represents a danger of destabilization. In your opinion, is the White House sufficiently motivated and informed on this danger? What more would you like, regarding international cooperation, from President Reagan?

Barrionuevo: I don't know how well informed the White House is. I imagine that they have some information; from the point of view of one who directly suffers the phenomenon, perhaps that information and that awareness were never sufficiently high. One always would like to have neighbors, friends, countries, and persons who can help, to feel the same level of concern as one feels. Of course that is difficult.

We think that the U.S. government is informed of Spain's problems and of the potential dangers involved. And we would like, from the point of view of the direct danger as well as the indirect—terrorism can act as an incentive for the most reactionary groups who would prefer there were no democracy in Spain—the position of the U.S. government to be sufficiently clear and collaborative with the Spanish government.

In truth, in the few months [four and a half] that we have been in government, we don't have any reason to complain. We would like it if the U.S. government were more active, like the unique case of the French government, and the Italian; nevertheless, given international norms, we can say that the United States has an attitude of normal and friendly

collaboration.

EIR: What is your personal opinion of the payment of ransom in kidnapping cases?

Barrionuevo: There is no special law concerning kidnappings. There is a debate motivated by an attitude of ours on the question of ransom payments. Until now, the majority of kidnappings in Spain have been carried out by armed terrorist groups, and almost always, with one exception, in order to collect money to finance their own organizations. There have also been some cases of kidnappings by common criminals also with the aim of collecting money and enriching themselves.

We fear that this practice of kidnappings for money will spread, criminals considering it less risky and more lucrative than other criminal activities. Given this fear, looking ahead, we think that the government and police should have special abilities to impede ransom payments.

We carried out, from the Interior Ministry, a public opinion poll of sorts on this issue. The results were uneven, because while an important percentage of the population thinks this is the approach that should be taken, there was also a not-insignificant percentage that thinks that the humanitarian concerns of the family must be respected, that the family wants to do everything possible to save the life of the kidnapped person, and that it is not just for the police to impede these family actions. The criteria also vary according to the areas of Spain. In the Basque region, the majority sentiment—more than 50 percent—is that the police should not impede attempts by the family to save the life of the kidnap victim. In the rest of Spain, the majority thinks that the police should impede these attempts, but it is not a conclusive majority. A notable percentage of the population, above 30 percent, considers that humanitarian motivations should be respected.

There is not at the moment a law that grants extraordinary facilities to the police or judges to impede those contacts by the family with the kidnappers. It is another matter under discussion now.

Interview: Spain's Justice Minister

'Terrorism within a country is that nation's problem'

Spanish Justice Minister Joaquín Ledesma, born in 1939, was a well-known lawyer, magistrate, and professor of constitutional and administrative law before joining the government. The following interview was conducted in Madrid on April 25.

EIR June 21, 1983

EIR: A rather open controversy has arisen between your ministry and that of José Barrionuevo, minister of the interior, concerning payment of ransoms, freezing of bank accounts of a kidnap victims, the use of intermediaries in kidnap cases, the access to legal advice by terrorists detained, and recently, your proposal for a law of habeas corpus modeled on British law. We would appreciate your explaining the political and philosophical roots of the differences above, which strike us has quite profound.

Ledesma: There are no profound differences, nor are there essential philosophical differences. In one of the cases you cited, that of legal assistance for detainees, we have arrived by common agreement at a shared solution, and the same will occur with the habeas corpus and anti-terrorist legislation. It is quite logical that in the search for these common solutions, each ministry uses the dimension closest to the function it daily exercises. Since the Justice Ministry is to give juridical advice to other ministries, it tends to concentrate on those aspects which protect the fundamental rights of citizens.

As for the Department of the Interior, here as elsewhere, its task is to maintain order and public security, and quite obviously these concepts come to the fore. But even though each department works with the concepts closest at hand, there is no doubt that we arrive in the final analysis at an agreement.

Fortunately, in my country at this point, the ministries do not make policies. There is not an Interior policy and a Justice policy. There is a government policy, and this government is led by a president, who decides on political orientations which are shared and carried out by all without differences and certainly without the slightest hostility.

EIR: Which reforms do you propose to combat terrorism? What do you think about the proposal of Xavier Arzallus, president of the Basque Nationalist Party (PNV), to create an international commission on terrorism in the Basque including Brian Jenkins, Peter Janke, and Professor Leauté of the Eurogroup?

Ledesma: I think that the current Spanish legislation is sufficient to combat terrorism, and I think that the European position on that coincides with mine. I do insist that the current Spanish legislation is adequate.

We are simply studying the possibility of including some solutions applied by other countries, like Italy, notably, disincentives to criminals through favored treatment for collaborating in the fight against terrorism. Such reforms are being studied by various ministries and I cannot say what the result will be.

As for the proposal of Arzallus, without in any way calling into question international cooperation as laid down in international treaties, the investigation of terrorism in one's own national territory is a quite different question: This is a police and judicial activity which must remain entirely in the hands of the police and judiciary of one's own country.

International 39

The PAN party is the State Department's best asset for promoting separatism in Mexico

by Timothy Rush

The announcement June 6 that Presidents Ronald Reagan and Miguel de la Madrid will meet on the U.S.-Mexico border in August is welcome news. It will be the first summit between the United States and Mexico in almost two years, and it comes at a moment when decisive intervention from the top levels of the two governments is required to prevent a catastrophic deterioration in relations across the Rio Grande. Already, the IMF-directed collapse of the Mexican economy has meant the loss of over \$10 billion per year in U.S. exports to Mexico, with a consequent loss of up to 300,000 jobs. In Mexico, the IMF austerity program has meant the postponement or elimination of every significant development project in the country. Large numbers of poorer people are dropping to subsistence levels or lower; the middle class is being wiped out at a rate comparable to that of Germany in the 1920s.

On top of the economic crisis and the Central American conflagration comes the possible adoption this summer of the racist Simpson-Mazzoli anti-immigration legislation.

But there is more to the summit than defusing bilateral tensions. The personal warmth Reagan feels for Mexico makes the upcoming meeting one of the best avenues for negotiation of broader agreements which address the Latin American debt crisis as a whole. "Operation Juárez," as Lyndon LaRouche has dubbed the fight for a form of debt reorganization which revives trade and production, takes its name from the collaboration between Presidents Abraham Lincoln and Benito Juárez over a century ago; Reagan and de la Madrid have a unique opportunity to set policy for the continent on the same basis.

Saboteurs in both countries are committed to seeing that the opportunity is squandered. *EIR* this week examines one of the nastiest bi-national efforts to disrupt relations and undermine Mexico's sovereign institutions. U.S. embassy and consular personnel call it "Operation 'Two-Party System'"; it in fact involves plans to dismember Mexico territorially, starting at both its northern and southern borders.

The PAN party, a solidarist grouping founded as an asset of the Nazi International in 1939 and continuing to function as such today, is the State Department's most important vehicle for the separatist maneuvers. From its earliest days, the PAN took root in the states furthest from Mexico City, areas with a history of separatist tendencies: the northern tier of states running from Baja California on the Pacific to Tamau-

lipas on the Gulf, passing through Sonora, Chihuahua, Coahuila and Nuevo León; and at the opposite end of the country, Chiapas and the Yucatán.

The cover for coordinating the PAN as a separatist force is establishment of a "two-party system . . . just like the United States." Though plausible to the uninformed, in the Mexican context—where the PRI party has held power for over a half century and there are not one, but seven, legally registered opposition parties—such a policy has entirely different implications.

The British Intelligence-linked *Economist* magazine, in a February 1980 editorial, told America how "the lessons of Iran" should be applied to U.S.-Mexico relations. The London weekly wrote, "In dealing with Mexico, a country with a monolithic political structure, America will find itself in the old quandary of how to communicate with the opposition movement, most of it underground. . . . Unilateral support for the ruling PRI would allow the U.S. little room for maneuver." It was obvious that the *Economist* was not so much interested in forestalling an Iranization process as running it.

'Scurrilous attacks'

A shocking harangue by U.S. Ambassador John Gavin in Los Angeles May 24 was the tip-off that the British formula is now guiding certain State Department circles. Gavin virtually demanded an apology from Mexico for what he called "scurrilous attacks" on a secret meeting between embassy personnel and the PAN leadership in the state of Sonora at the end of April. He went so far as to threaten a cut-off U.S. economic aid to Mexico if Mexico protested further—an extraordinary escalation of the affair, especially in light of the ambassador's insistence that the meetings had no more significance than meetings between Mexican officials and members of the Democratic Party in the United States.

What in fact is involved is a nested set of operations encompassing separatism, drug- and weapons-smuggling, terrorism, and religious manipulation from Protestant fundamentalism to solidarism. The ultimate goal is to squeeze Mexico between a Guatemala-inflamed border on the south and a secessionist north.

Sonora center

Sonora is the centerpiece of PAN strength and of U.S.-

PAN collusion (see *EIR* March 8, 1983; March 15, 1983; May 24, 1983; and June 7, 1983). A cartoon in the leftist *Uno Mas Uno* newspaper May 20 showed a figure of Uncle Sam seated at a table. The waiter is offering him a map of Sonora, shaded black, and telling the customer, "Our specialty is PAN *negro* [black bread]."

From Sonora (and from Monterrey further to the east), connections radiate out to the other states. According to a May 24 exposé in *Excelsior*, Sonoran PAN money is now pouring into neighboring Chihuahua. Sonora PAN honchos are building the bandwagon for the PAN gubernatorial bid in Baja California Norte, which comes up later this year. And PAN-linked oligarchical groups in Monterrey recently had a survey published showing that 50 percent of the population of Nuevo León state (whose capital is Monterrey) are open to political union with the north.

The U.S. embassy and consular huddle with the PAN in Sonora April 22, which became a national scandal, was one of a whole series of consultations the U.S. embassy had begun at the beginning of the year in at least three states, according to *Excelsior*. Meetings were also held in Chihuahua and Monterrey. In each the message was delivered that "the U.S. government views the Mexican two-party system with profound sympathy."

The participants in the meetings included more than the PAN core. In Sonora, it included the archbishop of Hermosillo, PAN sympathizer Carlos Quintero Arce; in the other meetings, it included a spectrum of other "conservative" groupings in the Catholic Church, the business sector, and community organizations. The purpose of the meetings was "to examine the proportions of the economic crisis in Mexico," evaluate its political effects, and establish a "reliable" consensus regarding middle class response to the domestic and foreign policies of the Mexican government. By foreign policies, the U.S. embassy personnel conducting the meetings meant Central America. An *Excelsior* source at the Hermosillo meeting reported that even archbishop Quintero Arce was taken aback by the detailed exposition given by George High, U.S. embassy deputy chief of mission, on the Mexican church's approach to Central America; the positions of radical priests in the southern states of Oaxaca, Morelos, and Chiapas; and similar matters. "You [in the embassy] have much more information on us ourselves that we can imagine," Quintero reportedly exclaimed. The American officials then steered discussion to the topic of the "lack of credibility" of the Mexican political system.

The PAN's involvement with spreading the Central American poison into Mexico is underscored by its sponsorship of proselytizing tours by Ríos Montt's favorite preacher, Luis Palau, in Mexico, and the PAN's hosting of Venezuela's most influential "hawk" on Central American policy, Arístides Calvani, during Calvani's early May tour through Mexico and Central America.

The purposes of Gavin's own trip to Central America in mid-April have yet to be clarified.

The outlines of the broader project were delivered to a select seminar on Mexico at the Snowbird Foundation of Salt Lake City, Utah, April 20 to 23, which featured ambassador Gavin and insurrectionist Mexican business leader Manuel Clouthier. Officials of the Foundation refuse to disclose any details of the discussion, nor in fact who else was present. An investigative reporter in Mexico City obtained excerpts of the Clouthier address, and published them May 19. Clouthier asserted that "it is evident that what is occurring in the deep insides of the [Mexican] system . . . could well be defined as a transitional step toward a new political model. The PAN, the traditional favorite of the anticommunist right, has now managed to take a spectacular leap in votes, above all in the urban areas." Clouthier concluded with the assur-

Gavin warns Mexico

On May 24, U.S. Ambassador to Mexico John Gavin spoke to the World Affairs Council of Los Angeles. The speech was a combination of warnings that Mexico's ills were due to its attempt to industrialize at a rapid pace and threats that efforts by Mexico to impede U.S. coordination of Mexican opposition parties would bring a cut-off of U.S. aid. The fact that no U.S. press picked up the policy address suggests that it may not have had the authorization of Washington.

On meetings with the PAN: Gavin began here with a review of the U.S. government's role in recent bail-out packages for Mexico. The ambassador continued: How do the Mexicans react to our generosity? Their "attitudes are conditioned by old hostilities and new fantasies." The "power of suspicion can be seen in the events surrounding my deputy's recent visit to Hermosillo." The Mexican press "made an issue of the dinner which the deputy attended" because members of the PAN were present, and charged that the dinner represented a conspiracy with the PAN—charges which are "scurrilous and false. . . . We have no intention or desire of interfering in domestic affairs. . . . But just as we would not tell the Mexican ambassador not to meet with the Democrats, we reserve the right to meet with legitimate opposition parties in Mexico.

"The Mexican government should understand that when wild charges are made for domestic political gain, the Mexican people may shrug them off as more of the same old thing, but the American people are listening, and they won't shrug it off. They may question our ability to continue the use of tax dollars to finance a government which is hostile to America."

ance that "other groups of Mexicans, among whom I include religious entities, are ready to participate in the struggle for power."

Many have suggested that the PAN in Sonora welcomed the revelations about the secret meeting, because it catapulted that section of the party into greater national prominence and posed for the government the awkward choice of de facto acquiescence to such meetings or attempting to strip the PAN of legal status—a tricky question when the United States had made its interest in the matter so clear, and when the government is attempting to show its 1977 "political reform" is for real.

Mexican officials are now wondering what will become of detailed profiles of Sonoran institutions and political forces collected by a taskforce of 14 sociologists, anthropologists, and journalists dispatched to the state for two months under cover of assignment by the *Arizona Daily Star* of Tucson in March and April. A 48-page supplement on Sonora published by the *Star* May 22 included no less than three separate articles building up the PAN role in the state, but otherwise kept the more sensitive information collected in the probe under wraps.

At the other end of the country, in Chiapas, the PAN

stronghold district of Soconusco is stepping up links to Guatemala. Chiapas vacillated for almost 30 years after Mexican and Guatemalan independence in 1821, before deciding to cast its fate on the Mexican side. To this day Masonic networks in the Soconusco area (the Pacific slope of Chiapas, one of Mexico's leading coffee-growing areas) are largely Guatemalan in ancestry; the same networks have provided the nurturing-ground for PAN strength. It has been reported that information on Mexican response to border provocations by Guatemalan Ayatollah Ríos Montt, and general intelligence on Chiapas, is regularly passed by the PAN to Guatemalan intelligence officers.

On June 7, the Trotskyist PRT (Workers' Revolutionary Party) announced its support for a Soconusco secessionist effort launched by a previously unknown "student-worker-peasant" front. The PRT, exposed a year ago as a covert partner of the PAN, has made the alliance more and more public in recent months. When three national parties recently demanded that the PAN be outlawed for its anti-constitutional, secessionist, activity, it was the PRT which protested more loudly than the PAN itself.

Next: The terrorist and religious dimensions.

PAN: The new Inquisition

The origins of the PAN in Nazi-linked solidarist circles of Europe of the first half of the century is recounted in the *EIR* exposé entitled, "The New Inquisition: the Mexican PAN party," published in the Aug. 10, 1982 issue.

The branch of the party specifically defended by Gavin, that based in Sonora, has been implicated in a series of violent attacks in the northwest since last summer. On May 10, PAN deputy Andrés Cázeres, from the neighboring state of Sinaloa, attacked the government's anti-drug program because it "oppressed the peasants," confirming evidence that the PAN colludes with the powerful drug mafias in the area.

Highlights of the PAN rampage are as follows:

- *July-August, 1982:* PAN activists blocked roads and burned government offices in several parts of the state, to intimidate election boards meeting to certify results of July balloting.

- *August 27, 1983:* Two thugs who had backgrounds as bodyguards for U.S. consul Terry Hansen and for PAN Mayor Casimiro Navarro, were arrested by state police for armed threats against the lives of Mexico Labor Party (PLM) organizers in Hermosillo. Papers found on the gunmen showed they were involved in the formation

of a Central America-style death squad, called "Death to the Corrupt Ones." They were on their first assignment. The PLM organizers were distributing leaflets attacking the collusion of the PAN and the State Department.

- *February 24, 1983:* As the PAN's gubernatorial candidate, Adalberto Rosas, prepared to enter Ciudad Obregón for a campaign stop, his lieutenants in the town deployed 150 thugs to bust up a 3,000-person meeting of the PLM in the central market. The squadristi attack was directed by one Leonardo Reichel Urroz, a mentally erratic homosexual who participated in terrorist activity as a member of the People's Armed Revolutionary Forces (FRAP) in the 1970s, and PAN women's leader Concepción Retamoza de Figueroa.

- *March 11, 1983:* The same PAN figure, Concepción Retamoza, showed up at the El Quinto normal school outside Obregón with three others and incited students to support a group of supposed students inside the city who had just taken over several building sites. The leader of the group inside the city was Ramiro García Godoy, a member of the FRAP with Reichel Urroz in the 1970s. Eight vehicles supplied by the PAN, including the personal car of Claudio Dabdoub, Rosas's campaign manager, carried the El Quinto students into town, where they looted and stoned several stores and attempted to storm the municipal building. The governor was forced to dispatch 600 anti-riot police to contain the violence.

The global stakes in Southern Africa

The Reagan administration has not embraced Pretoria, but its enemies hope it will do so.

It is being widely predicted that the Soviet-allied African National Congress (ANC) will step up its activities against the South African apartheid regime. Since the 1976 Soweto riots in South Africa, many young black South Africans have gone into exile, and received training in communist-allied or communist-bloc countries. And the balance in the ANC has tipped it away from its previous refusal to strike civilian targets.

South African officials have made it clear that if this step-up occurs, they will retaliate, "Israeli-style," against the neighboring black states, which they have accused of harboring ANC bases.

This spiral of violence will be a test for the Reagan administration. Henry Kissinger and his veteran collaborator George Shultz have an interest in aggravating, not solving, regional crises. That is a perspective they share with the Israeli faction that intends to use the Lavie jet project to make Israel and South Africa the gendarmes of a re-colonized underdeveloped sector. It is also the perspective of Yuri Andropov, who along with the Kissinger-Shultz grouping expects to trap President Reagan in multiple no-win geopolitical situations—leaving him negotiations with Andropov as the only way out. The point is that Andropov and the rest of this menagerie will let the hotspots cool down only if Reagan backs down from his March 23 commitment to develop the frontier technology for antiballistic defense systems.

This is basically how the hot spots in Central America are working; as violence continues between South Africa and its neighbors, southern Africa will become another "crisis management" focus for Reagan. The same group of interests, during Kissinger's official tenure in Washington, turned the Angolan fight for independence into a superpower issue in the mid-1970s.

Angola is again the place where an eventual showdown in the region could reach the superpower brinkmanship point, because of the presence of Cuban troops there. South Africa refuses to permit independence for Namibia, which it occupies with around 20,000 troops, until Angola, which borders on Namibia, expels the Cuban troops. This has also been the position of the Reagan administration.

If he assesses developments from the standpoint of "stopping the communists," Reagan will have no options for U.S. policy in the region that will not be construed as being pro-South African. As the region heats up, Andropov will play his Cuban card in Angola to manipulate a confrontation and ultimately a "deal."

The Reagan administration doesn't want to get caught in the pro-South African trap, according to my sources, and told South Africa after its latest retaliation raids into Mozambique that such activity only played into the hands of Andropov. The May 23 South African air attack against Mozambique was ludicrous as well as murderous. The South Africans could give no mil-

itary justification for their action.

The pretext for the air attack was an unprecedented May 20 car-bomb blast in Pretoria, responsibility for which was claimed by at least a faction of the ANC.

The Reagan administration has been working to improve relations with Mozambique, which also has Soviet and Cuban connections, but no large Cuban troop presence; according to my sources, ties have improved to the point that a U.S. ambassador is about to be sent to Mozambique. The administration is attempting to use this relationship with Mozambique to help find a solution with Angola to the problem of Namibian independence. Once this issue is resolved, Angola will no longer need Cuban troops to protect itself against South African attacks from Namibia and the Jonas Savimbi insurgency the South Africans run from Namibia into Angola.

The justifiable U.S. desire not to lose relations such as these, which will be sabotaged if the administration does anything "pro-South African," will add to Reagan's dilemma.

Judging from the Central American situation, the only solutions that will be offered to Reagan by Shultz et al. will be secret negotiations with Andropov, and/or low intensity operations such as the Project Democracy covert operations being run by Shultz's old friend Lane Kirkland.

In the southern Africa case, this would probably involve anti-communist activities in the trade unions and funding of operations such as Savimbi's, which has been receiving a lot of publicity in the Eastern liberal press. If the Savimbi option were used, it would probably be run through third parties such as Morocco or Israel; for example, Zaire's close ties with Israel would make it possible to make use of Zaire.

Congress Party's electoral gain

Indira Gandhi's national party wins a victory over localist, separatist groups.

India's ruling Congress-I Party made significant gains in the Jammu and Kashmir state election held on June 5. The Congress-I more than doubled the number of seats it held in the previous assembly, and has now posed a serious challenge to the victorious National Conference party, the local political party which has ruled the state for most of the past 30 years. The Congress-I campaign completely routed those parties based on ethnic bias, such as the Janata, the BJP, and Jamaat-e-Islam, and succeeded in making a noticeable dent in the ruling National Conference's bastion in these two states.

In recent months, numerous regional parties with a narrow local base have emerged on the Indian political scene, and have assumed state power in some cases. These parties have fought elections on merely local issues, and have created tension between the central government and the states, with the latter demanding increased decentralization of the political process. A strong Congress Party in Jammu and Kashmir can bring the major national issues before the electorate.

The state's location is of strategic importance to the region. Ensnconced in the northern Himalyas, the state borders both China and Pakistan. During the thirty-five year history of partitioned India, Pakistan has twice gone to war against India, while China has invaded India once. Sino-Pakistani construction of the Karakoram Road, and the Khunjerab Pass linking China and Pakistan through Pakistan-occu-

ried Kashmire, has created additional concern.

Following the partition of India, Pakistan occupied a part of Kashmir. The rest of the state opted to side with the Indian union, and Sheikh Abdullah, father of the present Chief Minister, provided stability to the state through secular rule. It was he who established the National Conference party and developed an arrangement with the Congress Party. From 1952 to 1972, the Congress made no attempt to dislodge the local party. In 1975, India's Prime Minister Indira Gandhi reached an accord with Sheikh Abdullah, whereby the Chief Minister of Jammu and Kashmir stepped down to make room for the Sheikh.

Sheikh Abdullah died on Sept. 8, 1982, and with the central government's support, the chief ministership was passed on to his son, Dr. Farooq Abdullah.

It became clear that Dr. Farooq had neither the following nor the capabilities of his father. An attempt was made to form an alliance of the National Conference and Congress-I, which would have pitted them against the Hindu chauvinists in the Janata party and BJP, and the Muslim fundamentalist Jamaat-e-Islam. However, the alliance was aborted when Farooq demanded that the Congress liquidate in the state. Dr. Farooq was already instigating the pro-Pakistan faction within Jammu and Kashmir against the center; he visited the neighboring Punjab and had himself photographed with local leaders agitating against the central government.

After the alliance talks failed in April, the campaign entered high gear, and violent incidents broke out both in the Kashmir valley, a traditional stronghold of the National Conference, and in the Jammu area, where Congress-I wields substantial political clout.

During the campaign period, Dr. Farooq Abdullah twice sought the support of the Maulavi Farooq, the head of the Jamia Islamia mosque, which made Indians skeptical about Dr. Abdullah's secular litany and probably cost him many more votes than he gained.

Maulavi Farooq, who heads a party called the Awami Action Committee, has gone on record in opposition to the accession of Jammu and Kashmir to India. There are reports that the Maulavi has working relationships with the Jamaat-i-Tulba group, which promotes Jammu and Kashmir's merger with Pakistan.

On May 30, Prime Minister Gandhi went to the state to campaign for her party. During her hectic three-day trip, Mrs. Gandhi made clear that she was not so much concerned whether her party returned to power; but she would oppose any attempt by the victorious party to "disintegrate secular, democratic and socialist forces to achieve their petty aims of trying to retain power."

Both Mrs. Gandhi and her son, Rajiv Gandhi, a member of Parliament and general secretary of the Congress-I, presenting themselves as "sister and son" of Kashmir—Mrs. Gandhi's family is from Kashmir—and strongly criticized the National Conference party's campaign which dubbed them "foreigners," and reminded the Kashmiris that it was the Congress Party that cooperated with local people to overthrow the feudal Hindu king in 1947.

A shift in U.S. policy

Peking is counting on U.S. high technology to modernize its army, and has allies in the Reagan administration.

At a time when Chinese military leaders are demanding technological modernization of the People's Liberation Army (PLA), circles within the U.S. Commerce and State Departments are pushing hard for the sale of high technology to China with the full knowledge that it will be used in Peking's military modernization plans.

State and Commerce are promoting this policy shift in an effort to salvage the U.S.-China strategic alliance—this despite growing opposition in China to “both superpowers.” The issue is a point of contention within the Reagan administration because White House and Pentagon officials reject any American strategic reliance on China as a crutch for declining U.S. presence in the region. These aides favor returning to the pre-Kissinger policy of close strategic ties with Japan.

In late May, Commerce Secretary Malcolm Baldrige was in China where he assured his hosts that Washington intends to ease restrictions on the sale of advanced U.S. technology to Peking, an issue China considers a major impediment to improved bilateral relations. Though Baldrige did not mention specifics, shortly after the secretary's departure, diplomats in the Chinese capital were predicting that the administration would soon permit the sale of high technology—including items with a potential military application—beyond the limits set in June 1981 when Alexander Haig declared that the United States would consider selling weaponry and “dual use” technology to China on a case-

by-case basis.

Sources in Washington have disclosed that something more concrete may be announced within the next 60 days. A source said that the policy change sought by Commerce and State is as follows: technology requests below a certain threshold, previously considered on a case-by-case basis, would now be approved automatically, whereas requests above a certain threshold which had previously been rejected as a matter of policy would now be considered on a case-by-case basis. China's new designation as a “friendly, non-aligned country” would circumvent COCOM restrictions on sales of advanced computer technology with military applications. COCOM is the agency of the OECD that determines policy on Western exports.

In early June, columnist Jack Anderson revealed the contents of a memorandum sent by Baldrige to National Security Adviser William Clark briefing him on the recommended sale of a Hyshare-700 computer to a university in China known to be associated with China's nuclear missile program. The sale, which had been approved in 1981 with the proviso that several crucial components be removed first, was rejected by the Chinese who demanded the entire system intact. The proposed sale, on China's terms, has been tabled again.

But Commerce appears to be laying the groundwork. Intelligence sources in Washington reported that Scott Sullivan, special aide to Assistant Secretary Larry Brady, toured several Chinese military installations

in early June.

U.S. capitulation to the Chinese demands would be a windfall for the PLA, which is reasserting its influence over policy matters. Chinese military leaders want to apply the most advanced technological capabilities to their badly outmoded army (see *EIR*, June 7). Advanced computer capabilities would allow Peking to upgrade not only backward communications and logistics systems, but its nuclear deterrent as well. One of China's pet projects is to equip its nuclear attack submarines with the underwater firing system successfully tested last October. Peking, with the help of the United States, may soon acquire a means to hit the “two superpowers” from the sea.

Chinese leaders will be understandably satisfied if they are able to exact this concession from Washington without giving up their frequently exercised right to sling mud at the Reagan administration, as part of their “independent” foreign policy.

However, Peking is well aware that opposition within the Pentagon and White House could derail the plan at any time. Vice-Premier Yao Yilin told visiting U.S. columnists Evans and Novak the first week in June that any breakthroughs implicit in Baldrige's offerings were likely to be undermined by the “petty maneuverings” of opponents in the Reagan administration. Fueling this sentiment was the recent U.S. blockage of a Belgian telecommunications computer sale to China.

Peking's harping on the need for “mutual trust” between the United States and China has not been persuasive thus far. The Chinese are counting on the eagerness of those who still want to court China strategically, regardless of the cost, to win over administration skeptics.

France under the Andropov gun

Communist Party swings into 'anti-Atlanticist' mode against Mitterrand and finds bedfellows on the right wing.

France, potentially the United States' best strategic partner in Europe, has been targeted for destabilization and destruction by Yuri Andropov and his neo-conservative odd bedfellows.

When the French government opted to stand by President Reagan on the stationing of Pershing and cruise missiles in Europe, the French Communist Party made clear that it intended to sabotage French defense policy by building a "peace movement" regrouping every terrorist and ecologist outfit on hand. A June 19 "peace" orgy of hundreds of thousands in Paris is now in the works. The campaign moved into high gear especially after President Mitterrand signed the Williamsburg security document, by which the West and Japan came out united in face of various Soviet provocations such as the "mini-sub" affair off the Swedish coast, as well as the Soviet threat to station SS-20s, SS-22s, and SS-23s in Bulgaria, Czechoslovakia and East Germany.

Partners in the ruling coalition with Mitterrand's Socialist Party, the Communists have said in so many words that they will "stick with the government" as long as they can push "peace from within and peace from without."

After Williamsburg, Communist Party (PCF) chief Georges Marchais went on television and accused Mitterrand of having reintegrated France into the NATO military structure! Marchais argued that since France was "de facto" a NATO member, it must

go to the Geneva strategic arms negotiations, and along with "the neutral countries of Europe," push for the type of disarmament accord that would paralyze Reagan's defense policy.

Since the middle of May, the PCF has undergone a rapid shift, accepting for the first time the Soviet request that the French nuclear *force de frappe* be included in U.S.-U.S.S.R. negotiations. This was publicized by international affairs man Maxime Gremetz, who, however, still maintained as of May 16 that France would not participate in Geneva.

Government spokesman Max Gallo bluntly responded that it was out of the question for France to go to Geneva, and that in "playing with fire, the PCF might get burned." In case explanations were needed, Prime Minister Pierre Mauroy announced that if the PCF (and cohorts in the Socialist Party) continued questioning government policy, there would be a vote of confidence.

In denouncing Mitterrand as "Atlanticist," Marchais is using a term dear to Gaullism. During the early years of the Fifth Republic, President de Gaulle created a *force de frappe* which, like Reagan's anti-ballistic missile beam weapons beam policy, was a defense policy intended to provide a science and industry driver for the nation. In so doing, de Gaulle fought the combined forces of the "Atlanticists," those who maintained that France was better off as a semi-rural economy within the framework of a

zero-growth NATO structure. At the time, of course, the Communist Party was against the *force de frappe*.

Today, nothing bothers the PCF more than the statements coming out of the French military in favor of developing laser technologies, such as the chief of the Air Force General Capillon's statement at the Ecole Polytechnique in Paris last week, or Colonel Debas in *Figaro* June 3.

The Communists' hatred of that new *force de frappe* is shared by the Red moles in the Socialist ranks, as well as by the ultra-rightists, those strange advocates of anti-Soviet crusades who happen to agree with the Kremlin's position on all key strategic issues.

The Reds' Atlanticist partners come from the ultra-rightists regrouped around Marie France Garaud and her "Institut International de Geopolitique," which just concluded a colloquium on "War and Peace" with the participation of Zbigniew Brzezinski and former French Premier Raymond Barre. But Garaud is just the window dressing of an operation inside Mitterrand's own government, headed by Attorney General Pierre Arpaillage, formerly a prominent figure of the Fourth Republic's Justice Ministry, nominated to his present post of Attorney General by Justice Minister Robert Badinter, a notorious terrorist sympathizer.

Garaud's institute is the mouthpiece for luring France back into NATO and backing NATO's policies for conventional build-up, rapid deployment forces, and so-called limited nuclear warfare—precisely the policies Reagan's new ABM defense policy is designed to end. Strangely enough, the Kissingerian Georgetown University crowd that runs the Institute has many channels of communication that converge in Moscow.

Part II: Genscher, Reagan's adversary

The foreign minister's ties to Libyan radicals and Iranian fundamentalists reverberate in Washington.

While the political position of the United States in the Middle East is being undermined by Muslim radicalism—an unsavory heritage from President Carter's Islamic Card which helped to put Iran's Khomeini in power—the Foreign Affairs Ministry in Bonn is maintaining good, if not friendly relations with the regimes in Iran and Libya. But it is exactly those regimes which are most fanatically oriented in their policy against the United States, and U.S. President Reagan especially. Is the West German minister of foreign affairs, Hans-Dietrich Genscher, not aware of that fact? Or is it, rather, complicity with the U.S. State Department's sabotage of Reagan that is driving Genscher and his staff into the camp of Reagan's enemies in Mideast?

There are many indications pointing to the latter interpretation. The case of the present undersecretary of state in the Bonn foreign ministry, Jürgen Möllemann, is most revealing in this respect. When Möllemann, a personal protégé of Genscher in the Free Democratic Party (FDP), was still president of the German-Arab Society at the end of 1981, he reacted to Reagan's political attacks on Libya's Muammar Qaddafi by taking the side of the North African dictator. At a time when Qaddafi threatened Reagan with assassination by death squads paid by Libya, when U.S. security agencies expressed concern at this threat, Möllemann said that to him, all of this concern sounded like "one of the typ-

ical pre-Christmas Secret Service fairy tales."

This scandal was matched by the behavior of the staff in Genscher's ministry during the "Tabatabai Affair"—behavior that was an affront of the highest degree to the United States and President Reagan. Sadegh Tabatabai, former minister president of Iran and son-in-law to Ayatollah Khomeini, was caught red-handed by German Customs at Düsseldorf Airport at the beginning of January 1983, trying to smuggle 1.7 kilograms of hashish. Tabatabai, who had previously received political protection from Genscher when he was indicted in a case of drugs-and-weapons smuggling, claimed diplomatic immunity under a "special mission cleared with the Bonn foreign ministry."

The judges of the Düsseldorf court who tried to find out about the actual character of the "special mission" were confronted with a series of delays by the Bonn foreign ministry. First, the ministry helped Tabatabai to get out of jail on bail. Then, the former West German ambassador to Teheran appeared before the court to testify on the alleged "special mission"—but he was unwilling to provide any insight into the nature of this "mission."

When the judges decided to no longer permit a delay of the trial and proceeded in their investigation, the Bonn ministry intervened in a higher court to have the whole case dismissed for reasons of "higher state interests."

How was it possible that the min-

istry could speak of "higher interests" overruling a court—interests which would allow a proven criminal and drug-weapons dealer like to escape trial? One reason given was that Genscher stuck to a secret 1980 agreement, when he, and the former ambassador to Teheran, and U.S. Undersecretary of State Warren Christopher succeeded in having the U.S. hostages in Iran released. Although never proven, it has been said often that their release involved tacit agreements to have military materiel shipped to Iran through drug-weapons smuggling networks. The required monies for the transactions are said to have come from Teheran's large international drug dealings.

By the time Düsseldorf judges became fed up with all these special arrangements, and proceeded to sentencing, Sadegh Tabatabai had skipped bail and fled the country.

But what shocked the nation even more was that the Bonn foreign ministry had helped Tabatabai escape trial aboard a Lufthansa airplane to Teheran in a *Nacht-und-Nebel* action. The action was later, and scandalously, justified with reference to the 1980 "agreements in the release of the U.S. hostages," which were said in Bonn to "involve sensitive aspects" which did not permit the Iranian to stay in West Germany.

This strange deal has several juicy aspects connecting Genscher to international networks of organized crime. It has been mentioned often by people with insight into West German politics that it might not have been a matter of mere coincidence that the Free Democratic Party started its campaign for drug legalization after Genscher had become chairman of the party in 1974. Genscher himself is said to have links to organized crime.

To be continued

International Intelligence

Pickering unfit for El Salvador

"Administration nominee for ambassador to El Salvador Thomas Pickering is a key promoter of depopulation policies throughout the Third World. He must not be confirmed," said U.S. Club of Life head Nancy Spannaus in a statement released June 8. Pickering headed the Office of Population Affairs of the Carter State Department, as well as the interagency task force for the notorious *Global 2000 Report*.

"We see the hand of Kissinger-protégé George Shultz behind this nomination," Spannaus continued. "It was Kissinger, after all, who established the Ad Hoc Group on Population Policy in the National Security Council in 1975, and then set up the State Department Bureau of Oceans, International Environment and Scientific Affairs with jurisdiction over all economic and scientific programs with relevance to population policy, as well as population policy per se. Every occupant of that position has followed in the spirit of his genocidal intent, including under later Secretary of State Cyrus Vance. George Shultz, who has declared population as one of the primary problems of our time, is no exception."

Pickering remained a vocal advocate of *Global 2000* policies during his most recent assignment, as U.S. ambassador to Nigeria.

Brazilian bishop denounces Moonies

The president of the National Conference of Bishops in Brazil, archbishop Dom Ivo Lorscheider, went on national radio May 25 to denounce the activity of the Sun Myung Moon sect in Brazil and throughout the continent, reports the São Paulo daily *O Estado*. According to *O Estado*, Dom Ivo condemned the Moonies' "doctrinary errors" and their "lamentable methods of action." A similar attack was issued by the bishops of Honduras on April 8.

Dom Ivo pointed out that after he denounced the sect in another radio presentation last August, he received hundreds of "appeals from heart-broken families, whose sons and daughters, after being conquered by

the cult, turned wierd and broke family ties."

A Uruguayan priest wrote Dom Ivo that "the Moon cult, despite not having yet initiated its official campaign of religious proselytism, has bought one of the best hotels in the city, edits a newspaper, has a well known radio station, and is building a 32-floor skyscraper in the center of Montevideo; it has a college, and edits a magazine named *Causa*."

Dom Ivo concludes that "even though the Moonies call themselves Christians, it, in truth, denies Christianity. For the cult, Christ is not God, nor can He realize the salvation of men: the truly knowledgeable legislator and unifier of humanity will be Moon."

Strategic trouble brewing in Sudan

Intelligence reports received by *EIR* point to renewed civil war in the Sudan. Unrest in that country will immediately reverberate into Egypt, and contains the potential for U.S.-Soviet conflict.

Political analysts note uneasily the increased attention being paid by both Protestant and Orthodox church bodies to the Sudan. The international affairs bureau of the World Council of Churches (WCC) has just received a confidential report authored by a leading U.S. Presbyterian Church body forecasting civil war there, and urging increased WCC involvement to "mediate" the situation. The Geneva-based WCC is known to be particularly active among the Christian animist groups of southern Sudan, feeding a mood of revolt that is designed to trigger a new civil war. The WCC was deeply involved in "mediating" the 1955-72 Sudanese civil war.

The ubiquitously vicious Libyan regime is reported to be running training camps in southern Ethiopia for Sudanese rebels. One source reports that the Ethiopian government has recently been cultivating relations with the Ethiopian Coptic Orthodox Church, to "strengthen nationalist feeling in Ethiopia. . . . It's an Ethiopian version of blood and soil, similar to what Stalin did in 1943 when he called on the Russian Orthodox Church to rally to defense of the Russian Motherland." The Soviet leadership too, according to this source, has been cultivating

the Ethiopian Church.

A European analyst described how the Soviets are attempting to draw the United States into a regional debacle, by supporting secessionists in Sudan, through the Libyans.

An added dimension in the situation is the Israeli role. An Israeli source suggested to *EIR* that "civil war is inevitable" in Sudan, by September at the latest, and will be accompanied by a more-or-less simultaneous attack by Libya on Egypt.

A new geopolitical game out of London?

The signs of a most intriguing policy evolution are beginning to emerge out of certain circles in Great Britain. Faced with a looming U.S.-Soviet strategic confrontation, these circles are comfortable neither with the Pugwash Conference "back-channel" disarmament game, nor with the game of the Swiss-"Mitteleuropa" gnomes whose tendency, now as in the past, is to tilt toward the stronger player—in this case Moscow. These British are worried about what is in store for them if the "Third Rome" empire-builders in Moscow are too successful.

One sign of this came when Margaret Thatcher began to campaign on the theme that Britain must launch a "new industrial revolution" based on "space-age technologies" that can be a "driver" for the British economy. Although Thatcher may not know what that means, the election campaign in a wider sense appears to reflect some Conservative Party unease with the post-industrial society push of the past years, and with the chaos that might result from further collapse of the British economy.

A source in the Conservative Party's Research Bureau, the party "think tank," told *EIR* that there is a growing interest among party circles in finding a way to transform the "space-age technologies" idea into something that can build up the in-depth base of the economy.

Apprised of *EIR* founder LaRouche's "Operation Juárez" proposal for joint Latin American debt renegotiation for industrial development, the think tanker stated, "That kind of policy will have some support here. There are those like myself who support the idea of joint renegotiation of debt, and were disappointed that the idea was not discussed

Briefly

at Williamsburg. If we don't have something like this, we will at one point or another have one country, like Mexico, unable to pay its debts, and the rescheduling can't keep on forever, especially since the Arabs are increasingly unwilling to keep that game going."

He also expressed sentiment in London that Swiss private companies are being used as "leakage" points for giving the Soviets access to advanced western military-related technology. "There is a very, very high chance of a scandal breaking out about this," he stated.

Attempt on the life of Pakistani leader

Mr. Qayyum Butt, an exiled leader of the Pakistan People's Party (PPP) residing in London, was the victim of an assassination attempt in late May. Mr. Butt was hospitalized with knife wounds in the head and face. The attack occurred in broad daylight, and police arrested two assailants immediately. After being held for one day, the assailants were given minor fines and deported to Pakistan.

Mr. Butt, a deputy secretary general of the PPP, was twice elected to parliament before the 1977 military coup that brought dictator Zia ul-Haq to power. He was imprisoned by the Zia regime, but later permitted to travel to England. Upon arrival in London, he was promptly placed in prison by British authorities, who argued that he did not possess "proper papers." His appeal for political asylum in Britain is still pending; in the meantime, he must regularly report to the British authorities. Both the U.S. State Department under George Shultz, and the West German foreign ministry, hold that PPP members are in no danger from the Zia regime, and therefore do not merit political asylum.

Dr. Ghulam Hussain, secretary general of the PPP, issued the following statement from his headquarters in Stockholm in response to the assassination attempt:

"It is evident that General Zia has now adopted a new strategy in regard to the leaders of the Pakistan People's Party. We are now to be hunted down in exile in Western Europe and elsewhere and physically eliminated. General Zia has now shown that he

is able to dispatch teams of assassins to Western Europe, have them perform their work, and then be allowed to return to Pakistan with impunity. In allowing the persons who attempted to murder Mr. Qayyum Butt to return to Pakistan without being tried in Britain, the British government has blatantly demonstrated that it is in connivance with General Zia in these attacks on PPP leaders. How else can one explain the fact that no action was taken in the case of a murder attempted in broad daylight on a London street?

"Furthermore, the reaction of the British press, which has not covered the assassination attempt with so much as a single line, is evidence of the collaboration of British circles at the highest level. A top political leader of Pakistan, twice a member of Parliament, is nearly murdered in London, and not a single British newspaper mentions the incident."

Israeli: 'Help Arabs make the desert bloom'

Yekutiel Federmann, a prominent Israeli industrialist from Haifa, has called for a new Middle East Charter of pro-Western states based on joint Arab-Israeli efforts to develop the region.

In a May 29 op-ed in the *Jerusalem Post*, "Thinking Big," Federmann argued that such a Charter would "give new hope to all the Western-oriented nations of this region." Signers of the charter "must agree to leave religion in the private domain of each individual, while collectively looking to the larger issues that can unite us. Our needs are obvious. The Arab countries crave expertise and know-how. We need investments. They have the capital, we, the know-how. Most of all, they need the know-how to make the desert bloom, and that is precisely what Israel has. No one else can provide it quite as well as this country.

"The small thinkers, the doubters, those who said 'it can't be done' have long since been forgotten," says Federmann. "Their lack of faith contributed nothing to mankind's progress."

Federmann proposed that the Charter be backed up by the U.S.A. and Europe, and contended it would be a counterweight to Soviet expansionism in the Mideast.

● **BUDAPEST** was the scene of a Christian Peace Conference in early June which brought Daniel Berrigan together with representatives of the British END group and local church activists. The latter are reportedly not being encouraged by the mainstream church leadership of Hungary.

● **CHINA** and the Soviet Union have in principle decided to re-open consulates in Leningrad and Shanghai that have been closed since the 1960s, according to front page articles in Chinese American newspapers.

● **PRESIDENT BELAUNDE** of Peru has come out with a blast against "international organizations" that purport to be helping and doing research on the peasantry, but instead are fostering terrorism. He said that his country on the other hand welcomes those who come from abroad "bringing technical know-how and development projects."

● **HELMUT SCHMIDT** reportedly has little use for Pope John Paul II, who does not share his view that population control will help the world. The story in circulation is that an aide to Schmidt commented on the Pope: "We will have to wait for the next one. . . . You never can tell, heh, heh, from time to time they change."

● **THE AUTHOR** of the attack on Reagan's beam-weapons policy in the French Communist newspaper, *L'Unité*, says it was not an attack at all—"I just said he was confused." As for the headlines ("E-Beam is Bunk and Reagan a Crook"), "they are from the editing board," says Hugo Sada.

Why Yuri Andropov is laughing these days

by Richard Cohen in Washington, D.C.

Washington journalists and diplomats recently reported that a frail Soviet Communist Party Secretary Yuri Andropov had to be physically assisted into a room for meetings with Finnish Prime Minister Miuno Koivisto. No doubt State Department Soviet-watchers, along with congressional experts and the leading Eastern press, will make much over the reported "uncontrolled trembling" of Andropov's hands at the meeting, which, "reliable Soviet sources" later leaked, was attributable to a case of Parkinson's disease.

More practiced observers of this nation's capital, however, think Andropov's apparent condition was more likely the result of restrained continuous laughter over the fact that Secretary of State George Shultz and his two more powerful collaborators, Henry A. Kissinger and former British Foreign Secretary Lord Peter Carrington (not to mention many in the U.S. Congress), are mobilized to sabotage by the end of this year President Reagan's March 23 commitment to the rapid development and deployment of space-based directed energy beam strategic missile defense systems. Andropov's elation is attributable not only to the fact that Shultz and his congressional collaborators have committed themselves to remove the most important military and economic obstacle to Andropov. The Soviet command accurately assumes that Shultz and the misled Congress will perform such a removal under a deal which the Soviet Party Secretary has no intention of living up to.

Intelligence sources report that Shultz and his associates, after recognizing the failure of initial efforts to sabotage the President's March 23 announcement through an international campaign of "Star Wars" ridicule, have now decided to pro-

mote a so-called compromise aimed at *tolerating Reagan's initiative while undermining it.*

The demands and the Iklé problem

According to these sources, this bipartisan "compromise" demands that the President abandon his planned \$100-billion-plus multi-year Mutually Assured Survival program of high-energy antimissile beam weapons development when he reviews the administration's fiscal year 1985 budget proposals this October. Instead, they demand that the program be restricted in its conception to a research and development phase—with no deployment phase.

Second, they demand that expenditures be limited to a level equivalent to a "consensus perception" of the monetary level of the Soviet program. And finally, they press the idea that the entire program be pursued as a mere bargaining chip in arms control negotiations.

These sources identify Undersecretary of Defense for Policy Fred Iklé as a central figure in this "bipartisan" effort. Iklé—whose brother Max is a chief figure in the Swiss National Bank—is Swiss-born and from one of that country's most prominent families. Iklé's relationship with Kissinger dates back to their joint tenure at the Rand Corporation in 1959, and was renewed in the early 1970s when Iklé became director of the Arms Control and Disarmament Agency. It was Iklé who, in the weeks leading up to the President's March 23 address, was said to have argued for watering down presidential insistence that his national announcement identify these new defense technologies as effective, deployable

within a decade, and as reversing the strategic doctrine of Mutually Assured Destruction (MAD).

At that time, Iklé's objections were reportedly overridden by Defense Secretary Caspar Weinberger. White House sources say that a close Iklé associate, Assistant Secretary of Defense for International Security Planning, Richard N. Perle, is an even more outspoken opponent of beam weapons within the Pentagon. Perle, a former aide to Sen. Henry Jackson (D-Wash.), is the most ardent spokesman among administration officials for both the Israeli lobby and AFL-CIO President Lane Kirkland's Foreign Affairs Department. A proponent of the Israeli Lavie military project, Perle has become an important Pentagon arm of Shultz.

Appeasers on the White House staff?

Other Washington sources claim that the Shultz-Iklé-Perle effort within the State Department and the Pentagon has gained ground in further sections of the Reagan administration. They report that White House Chief of Staff James Baker III and his chief assistant Richard Darman have joined the opposition. It has been Baker who, since the autumn of 1981, along with Office of Management and Budget Director David Stockman, has conspired to attack the President's strategic modernization program; and it has been Baker who, since the spring of 1982, has consistently advocated appeasement of the U.S. "peace movement."

Lyn Nofziger's understudy Ed Rollins, Director of the White House Office of Political Affairs and sure to be a key figure in a Reagan reelection drive, may have been convinced to join the effort. Reportedly, Rollins is concerned about recent national polls conducted by White House pollster Richard Wirthlin showing the President weak and sinking among the category of women voters. White House pollsters attribute Reagan's allegedly serious problem with this section of the electorate to his strong position on national defense. They claim that it is here that Reagan is most vulnerable to the "warmonger" charges.

The Shultz-allied forces within the administration are part of a broad "bipartisan" effort which now includes a number of "important old boys" dating from the Truman and Eisenhower years, typified by New York Republican John J. McCloy. These old boys have recently been making calls at the White House at an unusual pace.

How 'bipartisan consensus' works

Any success for this operation would largely depend on its influence in Congress. Following the March 23 presidential address, Shultz moved to create a ruling bipartisan consensus on Capitol Hill. Shultz's first success, the Scowcroft Commission (President's Commission on Strategic Forces), was based on his ability to manage key "swing factors" in the Senate and the House. On May 6, operating under the influence of the Averell Harriman-centered foreign policy establishment of the Democratic Party, Senate Minority Leader Robert Byrd (D-W. Va.), proposed in a speech on the Senate

floor the compromise. During that same week, Republican "liberal" Senator Larry Pressler (R-S.D.), justly regarded as the most fervent opponent of any space-based defense system, suddenly changed his mind, endorsing the basic principles of the compromise in a letter to the editor of the *New York Times*.

Overall, Shultz has developed a firm alliance with the Senate Republican leadership, nurtured since his arrival at the State Department in July 1982. More recently, in the House, Shultz has consolidated a more covert but nonetheless solid relationship with the Democratic leadership. Prominent in these arrangements is Shultz's close policy relationship with Senate Majority Leader Howard Baker (R-Tenn.), as well as his tactical alliance with House Speaker Tip O'Neill (D-Mass.) and House Majority Leader Tom Foley (D-Wash.).

The day after the successful Senate vote on the MX missile—a vote very important for the President—an astounding array of Shultz-Baker Senate Republicans sent a warning to President Reagan, stating that on the basis of presidential pledges to Scowcroft and others, Reagan is now "obliged" to reform the strategic arms START talks in line with the Scowcroft Commission recommendations, to immediately develop the so-called Midgetman missile, to establish a long-term bipartisan advisory panel on arms control, and to engage in a meaningful "build-down" agreement with the Soviet Union. The letter was signed by Shultz favorite Charles Percy (Ill.), the Foreign Relations Committee chairman; Pressler; Baker protégé Warren Rudman (N.H.); Kissinger friend Rudy Boschwitz (Minn.); Shultz followers Arlen Specter (Penn.), William Cohen (Me.), Pete Domenici (N.M.), Richard Lugar (Ind.), John Danforth (Mo.), Dan Quayle (Ind.), Slade Gorton (Wash.), and Nancy Kassebaum (Kans.); Majority Whip Ted Stevens (Alaska); and conservatives Alfonse D'Amato (N.Y.), Mack Mattingly (Ga.), Robert Kasten (Wis.), Frank Murkowski (Alaska), and Alan Simpson (Wyo.).

Pressure on the White House to deal with Andropov increased when, on July 3, Percy's Senate Foreign Relations Committee leaked a staff report supporting a "secret" intermediate-range nuclear force (INF) verbal agreement arrived at last summer between U.S. and Soviet negotiators, which President Reagan later openly rejected. The staff report, which concludes that the U.S.-U.S.S.R. relationship is now at an all-time low because of the failed INF talks and the "still worse" START talks, will be the basis of late-June hearings in Percy's committee, to be led off by George Shultz.

Shultz's "swing vote" control in the Senate has been replayed in the House of Representatives. Ardent beam weapon opponent Albert Gore (D-Tenn.) and liberal Rep. Les Aspin (D-Wis.), an asset of the anglophile wing of the CIA, played the public role in splitting liberal Democrats in the House away from total opposition to the MX missile and in support of the Scowcroft Commission report, which called for increased compromise and obliquely attacked the move away from MAD.

However, far more important, O'Neill collaborators, in-

cluding Foley, rose to vehemently defend the Scowcroft Report. And, speaking to a nationally televised audience after his four days of meetings with Andropov and Soviet Foreign Minister Andrei Gromyko June 5, Averell Harriman—having closely coordinated his trip with Shultz—reported that he had arranged for U.S. congressmen, bypassing the President, to meet privately with Andropov. Harriman reported that House Majority Leader Foley will be the first, going to Moscow on June 15.

The Scowcroft question and Central America

As I reported last week, the net result of this lobbying effort per se on the President has been marginal. On June 8, Reagan announced his revised START talks position. After acknowledging that he wants the Scowcroft Commission to remain in existence until January 1984, he reported that his new position at START is modeled on the Scowcroft report.

However, the new Reagan package in total concedes little to Reagan's opponents. Senior White House sources confirmed that the plan does not endorse the build-down concept advocated by Shultz allies on Capitol Hill, but simply commits it to further study and does not incorporate it as part of the administration's START position. In addition, officials stated at the background briefing before the President's START announcement that Mr. Reagan will still demand "exact parity" on throw-weight, and the administration's proposed bomber ceiling will remain unchanged. The only concession will be more "flexibility" in the number of deployed missiles allowed. Originally, the administration set 850 as its bargaining limit; now they will bargain from a number between 850 and 1,450, not to be publicly announced.

Shultz's swing votes can veto the MX missile in the future, if Reagan does not hop to Moscow. But the June 8 presidential moves to finesse this Shultz operation demonstrate how weak it is. And if it is that weak on the question of the MX, it will be worthless against the President's March 23 program.

Thus the Secretary of State (in addition to positioning himself to wield economic blackmail against the White House by means of key congressmen) has built a congressional "consensus" among the same Hill factions on important other foreign policy issues.

Shultz ally Howard Baker, speaking on national television June 5, made the operation explicit. Stating that he would support sending a small number of additional military advisers to El Salvador, the majority leader emphasized that the war in El Salvador will be "decided in Washington and Moscow," and went on to suggest that Reagan and Andropov begin discussing Central America. Baker's focus on this hot spot was in the explicit context of the need for an arms control agreement.

In short, the Baker proposal is nothing more than what Shultz and his chief operative Thomas Enders, the just-removed assistant secretary of state for inter-American affairs, had been engineering for months on Capitol Hill. Forging a

bipartisan coalition of swing votes in both houses paralleling the Scowcroft Commission effort, Shultz and Enders manipulated Congress to endorse White House-backed military support efforts in Central America, while ensuring that those efforts are confined to a support mode.

The Senate leadership, backed by the Senate Intelligence and Foreign Relations Committees has, with Enders's assistance, established September as the cut-off date for U.S. aid to the Nicaraguan "Contras." Enders had also secured liberal Republican Senate support, heavily conditioned by restrictions for military aid to El Salvador. In the House, Enders secured important Democratic help to get marginal increases in aid to El Salvador.

Thus, when Enders was ousted, the credibility of the congressional coalitions he engineered began to quiver. Only when Shultz appointed Kissingerite Thomas Pickering as Ambassador to El Salvador was his coalition placated.

However, issuing a warning, the House Foreign Affairs Committee on June 7 voted 20-14 to cancel funding for covert operations in Nicaragua. Importantly, all 20 votes were Democratic. While the full House will overturn the committee vote, that vote bolsters a growing Washington theme that Central America is Reagan's war and National Security Adviser William Clark is its mastermind.

In the autumn, as Central America heats up further, Reagan will be faced with a choice: *either escalate to a new mode, at which point Shultz will collapse the "bipartisan" coalition and Reagan will be confronted by Congress, or the President can take Baker's suggestion and ask Andropov for help.*

Indeed, congressional fear over the potential deployment of U.S. troops in Central America has sent a chill throughout the Hill regarding all U.S. troop deployments. During the week of May 24, the House amended a supplemental appropriations bill for financing U.S. marines in Lebanon. The amended bill stipulated that the War Powers Act would have to be invoked if the President decided to either increase the number of U.S. troops there or move the existing force elsewhere in the country. The amendment buoys Shultz's Middle East machinations. Senior members of the national security apparatus believe that Shultz's Israeli withdrawal agreement only ceded control over events in the region to Israel and the Soviet Union. With U.S. forces prohibited from entering the area, U.S. loss of control in the region is absolute. But for Shultz, as for one of his predecessors, Cyrus Vance, (the latter writing in an interview in the Moonie-run *Washington Times* of June 8) Yuri Andropov can bail out the United States by working his will on Syria.

With such help from "Uncle Yuri," how could Reagan and the nation refuse an arms control agreement and a "compromise" undercutting the March 23 strategic defense commitment? That is the thinking of Shultz and his friends, and that is why Andropov is laughing. Andropov only wants one thing—the elimination of the beam-weapons policy, and for that he will give nothing except promises.

George Shultz's 1984 campaign plan for pushing Reagan into the 'back channel'

by Richard Cohen in Washington, D.C.

The first installment of this article described how, since mid-April, forces associated with Secretary of State George Shultz and Henry Kissinger have entered into increasingly open collusion with Soviet chief Yuri Andropov and the KGB for the purposes of constructing a "back channel" of negotiations under their supervision between Andropov and the White House. In mid-April, the Shultz forces identified overlapping Reagan vulnerabilities to be manipulated: the failure of the White House to construct without hesitation its economic and foreign policy on the basis of the President's new strategic doctrine; and potential disasters in the Middle East and Central American hot spots combined with a sharp collapse of the world economy by late 1983-early 1984.

AFL-CIO President Lane Kirkland, now on the public record as an opponent of the March 23 Mutually Assured Survival strategic policy, and Israeli Defense Minister Moshe Arens, both Shultz intimates, have been recruited to aid in setting up the President for 1984 electoral blackmail. Shultz is the co-author with Lane Kirkland of "Project Democracy," on paper a bipartisan global outreach program whose purpose is to provide worldwide cover for espionage, propaganda, and special operations directed by the State Department, the AFL-CIO, and Israeli intelligence. Shultz has also pulled the administration into partially acquiescing to Israel's "Lavie Jet Plan," which involves not merely giving Israel the technology for making an advanced fighter jet, but is actually the hardware component supplementing Project Democracy.

Below, we elaborate how the upcoming presidential race fits into this picture.

During the week of May 16, the Center for a Democratic Majority (CDM), initiated in the late 1970s out of the remains of the 1976 Scoop Jackson presidential primary campaign, met in Washington, D.C. The committee includes the majority of the Democratic-linked Zionist Lobby and the foreign policy establishment of the AFL-CIO typified by Jackson, former Hubert Humphrey adviser Ben Wattenberg, U.S. Ambassador Jeane Kirkpatrick, and Adm. Elmo Zumwalt. This group represents the staunchest supporters of Project Democracy and Project Lavie. One of their chief activists is

former Jackson aide and current Assistant Secretary of Defense for International Security Affairs Richard N. Perle, the leading Pentagon opponent of the President's new March 23 defense doctrine. At their meeting, the consensus of CDMers sent an open signal to the White House. They wound up by questioning whether the center of the Democratic Party could be rebuilt.

Immediately, leading spokesmen for the liberal Harriman wing of the Democratic Party, typified by Hodding Carter, the former State Department spokesman for Cyrus Vance, attacked Wattenberg for supporting a bipartisan foreign policy (i.e., his support for administration policy in El Salvador). Carter charged that the Wattenberg approach would lead to electoral disaster for Democrats in 1984.

My White House sources confirmed that Shultz may well be moving to use his links to Kirkland, Arens, and the CDM to press the President and his future reelection campaign for policy concessions, including concessions on the Lavie program and arms control. Democratic Party sources have indicated that Kirkland, if promised such gifts as the ouster of Labor Secretary Ray Donovan, might accede to probable Building Trades union moves against AFL-CIO endorsement of any specific Democratic presidential candidate in December.

In 1980, Reagan obtained 45-47 percent of the blue collar vote. Full freedom for AFL-CIO affiliated unions to work for whomever they prefer would certainly increase chances for a comparable percentage of this vote for the President in 1984. Shultz's relationship to Arens and Kirkland could also be used to rally a sizable portion of the Jewish vote for the President—at a price. Shultz's own base among Republican liberals in the Northeast and Midwest opposed to Reagan defense programs could be portrayed to the President as electorally decisive.

The Greenspan card

The apparatus wielding these elements of the so-called center of the electorate will, according to White House sources, add one more asset to the electoral blackmail machine: the appointment of Alan Greenspan to replace Federal Reserve Board Chairman Paul A. Volcker in August. As this

reporter has documented, Greenspan was the foremost conspirator along with Kissinger in the attempts to force Reagan into drastic concessions at the Republican Convention in 1980. Greenspan and Kissinger attempted to sell former President Gerald Ford to Reagan as an attractive vice-presidential candidate who would then become "co-President"; control of the new administration's national security apparatus would be handed to the Ford/Kissinger group.

If the current debt crisis leads to a financial collapse, Shultz and Treasury Secretary Donald Regan will lose all policy influence. But if collapse is forestalled and crisis remains, Shultz is looking forward to Greenspan's strong bargaining position with the White House, once he is appointed, as the campaign period begins; with a strong upward pressure on interest rates under Greenspan control, Reagan would have to pay dearly to keep rates down.

Meanwhile a struggle is brewing among Reagan's top advisers over 1984 election strategy, with important implications for the relative strength of Shultz-allied constituencies. White House intimates are pressing Reagan to assign conservative Lyn Nofziger to run his reelection campaign, while White House Chief of Staff (and Shultz ally) James Baker III supports Stuart Spencer for the post.

A new Southern Strategy?

It is believed that Nofziger would favor a campaign strategy which would emphasize securing a majority bloc of electoral votes by concentrating on the West and the South as the highest priority. This so-called Southern Strategy would tend to reduce the bargaining weight of the Zionist Lobby and liberal Republicans.

Another factor that many believe would weaken Shultz's brokering strength would be the selection of Mondale at the Democratic National Convention—and a public consensus leading up to the convention that Walter Mondale, the current frontrunner, would get the nomination. It is widely believed that Reagan, even under adverse economic and national security conditions, could beat Mondale. In addition, Mondale is extremely close to both the Zionist Lobby and the AFL-CIO and would be strong in those two constituencies, the very ones Shultz would be brokering, making Shultz's hand weaker. But White House sources believe that Reagan would face his toughest national test against Sen. John Glenn (D-Ohio). Glenn would challenge Reagan for the important independent vote and be a more credible threat to Reagan in the South. Thus, facing Glenn, the President would be under more pressure to buy the Shultz package.

While campaigns can and will change, the Mondale campaign has already demonstrated that it will attempt to string together a coalition of liberal constituencies in the Democratic primaries. There is now a growing consensus among Washington campaign watchers that if Mondale maintains this course through the summer and fall, and Glenn continues to pick up following his stunning early rise in the polls, several important developments will begin to take shape.

The Democratic picture

First, the more-liberal-than-Mondale Gary Hart and the KGB front Alan Cranston will tend to see their campaign efforts collapse as their ultra-liberal followers rush to aide Mondale in a "stop-Glenn" effort. If that fails, the stop-Glenn effort will turn to Edward Kennedy. Washington intelligence sources report that Kennedy, who those close to the family adamantly say would not run, would run—if he were assured the nomination by acclamation and a favorable chance of beating Reagan. These two conditions are unlikely to be met. What is sure is that, as this process evolves, liberals like New York Gov. Mario Cuomo and others, including Arizona Gov. Bruce Babbitt, will move to increase their bargaining position by taking their states' delegate votes to the Democratic Convention by running as favorite sons in their home state primaries.

Glenn may be decisively buoyed if Jesse Jackson decides in August to run a black candidacy in the Democratic primaries. By current estimates, such a move would cost Mondale 5 percent of the vote and particularly hurt him in the South. Democratic Party sources tell me that Jackson has over the years maintained close ties to the CIA and that the recent split in the NAACP pitted Benjamin Hooks supporters who oppose a black candidacy and are generally pro-Mondale, against supporters of Margaret Bush Wilson, a liberal Republican who is not opposed to a black candidacy and the effect it would have on the Democratic primaries and thus on brokering scenarios within the Reagan campaign.

Through a Glenn candidacy, Shultz can better press the electoral necessity of the three constituencies he represents. In addition, Shultz and his associates will then be the key to the back channel to Moscow, something that Shultz hopes Reagan will desperately need as the peace movement revives in response to Shultz-manipulated foreign policy disasters in Central America and the Middle East.

Andropov will give Shultz all the help he needs to make the warmonger label stick, while Shultz tells the President the only way to overcome it in an election year is to go to Moscow. Pressure to make concessions on the March 23 commitment and strategic modernization will also come from Shultz friend Greenspan, who will demand major cuts in the defense budget in order to reduce the federal deficit and restrain the growth of interest rates in an election year.

In its place, Shultz would promote the security proposals of his three constituencies—a bipartisan foreign policy based on Maxwell Taylor's doctrine of conventional wars of depopulation in the underdeveloped sector.

There are two ways to avoid this national disaster. Either the President moves swiftly to eliminate short-term strategic vulnerabilities through an emergency wartime-like mobilization of the U.S. economy based upon the rapid development of the technologies behind the antiballistic defensive weapons systems and runs his 1984 re-election campaign on this policy. Or several Ibero-American countries torpedo the Shultz Plan with a debt bomb this summer.

State Department attempts sabotage of administration entente with Japan

by Richard Katz

A battle has broken out between the White House and the State Department over U.S. relations with Japan, and, in particular, what attitude to take toward Japan's controversial Prime Minister Yasuhiro Nakasone.

According to knowledgeable sources, angry infighting surfaced on the eve of the May 28-29 Williamsburg summit, when State Department officials tried to undercut weeks of close cooperation between Nakasone and President Reagan. The two heads of state had been in close consultation to get a solid Western front on security issues, particularly the Euromissile. The State Department, however, tried to slip comments attacking Japan over trade issues, alleged "industrial targeting," etc., into "background papers." The Japanese Ambassador protested, and White House officials "blew up," fearing that the comments, which are handed out to the press, would become a focus of discussion during the bilateral Reagan-Nakasone meetings and at the summit itself. This would undercut the personal trust between the two heads of state. Instead of teamwork, the summit would seem a revival of emotion-laded bickering over trade issues that Reagan was trying to solve through other means.

After President Reagan ordered the deletion of the anti-Japan comments, senior State Department officials tried to pass off the incident as simply a "mistake" by lower level officials. But top White House officials say otherwise: in reality, the document was drafted by Secretary of State George Shultz's longtime friend, Undersecretary for Economic Affairs W. Allen Wallis. It took heated insistence by the White House to get the comments deleted.

The Wallis anti-Japan draft is only one facet of the State's and Commerce's moves against White House attempts to forge a new cooperative partnership with Japan. Working through the U.S. Embassy in Tokyo and a recent Kissinger-led meeting in Tokyo, the State Department has been spreading the word among the Japanese elite that they are very unhappy with Nakasone. This charge comes from repeated, but unconfirmed, reports that emanate from several normally reliable sources in Washington intelligence circles and the Republican Party. Some of these sources insist there is cable traffic between the Embassy and Foggy Bottom to this effect. Top officials at the State Department deny these reports.

Similar comments about Nakasone's predecessor, Zenko Suzuki, helped aid the latter's downfall. Nakasone is currently under serious political attack at home by more "establishment-oriented" Japanese with whom the State Department seems to feel more comfortable.

Proposed U.S.-Japan partnership

In contrast to State Department sniping, the White House staff and National Security Council (NSC) in particular are interested in solidifying cooperation with Japan and Nakasone. The most public signal of this was NSC Director of Planning Norman Bailey's May 17 speech in Brussels. He called for Western cooperation in using Reagan's March 23 proposal for defensive beam weapons as a technological kickboard to launch recovery, a proposal which needs a big capital base. According to authoritative sources, some senior White House planners are anticipating a wide-ranging economic deal with Japan, "which has the only exportable surplus of capital goods in the world," as one official commented. Other White House aides are thinking of Japanese-American joint ventures and/or Japanese investment in high-technology industries in the U.S.—proposals that would build up America's technology while keeping jobs here and easing trade frictions.

Simultaneously, some White House staffers want to downplay the emphasis on China as the center of U.S. Asia policy in favor of reviving the pre-Kissinger stress on economic and security partnership with Japan. During the May 17 speech, Bailey noted that "the economic center of gravity of the world is rapidly shifting to the Pacific Basin . . . a huge, poorly defended, and fabulously rich prize, and it is obvious that it would be to our benefit to continue to fill the military vacuum in close cooperation with the Japanese." (see *EIR*, June 7.)

The Kissinger crowd in the State and Commerce Departments has been not-so-subtly undercutting the President's initiatives in these areas, portraying him as a bit of a warmonger, downplaying the beam weapons issue, and attacking Japan for having an "industrial policy" of exactly the type that Bailey's proposal would imply for the United States. A weakening of Nakasone is therefore a weakening of Reagan.

Reagan-Nakasone team at Williamsburg

Despite the State Department sniping, at the summit President Reagan and Prime Minister Nakasone struck up an level of personal rapport and cooperation unprecedented between U. S. and Japanese heads of government. Nakasone—despite intense pacifist feeling at home and political advice to shed his “hawk” image—went out of his way to make the summit a success for Reagan. In bilateral meetings with European leaders, he repeatedly urged them to line up behind Reagan on the Euromissiles issue, i. e., to insist that if no arms agreement is reached with the Soviets, then the Pershings will be deployed as scheduled later this year. Presumably worried about the reaction back home, Nakasone later told Japanese reporters that he had not “urged” this course, but had only “agreed” with European leaders’ statements to that effect. Several authoritative European sources, however, confirmed to *EIR* the first version of the story.

In turn, Reagan lined up the entire seven-nation summit behind the stance that an Intermediate Nuclear Force (INF) agreement with the Soviets must be made conditional upon Soviet agreement to destroy any SS-20 missiles removed from Europe and *not* to transfer them to Asia. This is the first time European leaders have adopted this position; Reagan’s achievement met a request that Nakasone had made during a private meeting Friday morning, before the opening of the summit.

The two heads of state also moved quickly to try to ease trade tension. Just after the summit, a high official of the White House-based U.S. Trade Representative’s (USTR) office told Japan’s JIJI press that he disagreed with Commerce Secretary Malcolm Baldrige’s harsh attacks on Japanese industrial policy and with Baldrige’s call for an international rule governing each nation’s policy on this. The USTR official added that *the Reagan administration does not oppose industrial policy, only industrial targeting*. Industrial targeting is the codeword used by factioneers like Commerce Undersecretary Lionel Olmer and W. Allen Wallis to propose “retaliatory” measures against Japan. The official continued, “the USTR has yet to determine whether Japan has industrial targeting as part of its overall industrial policy,” JIJI paraphrased him as saying. Similarly, the White House has held up an official complaint to GATT (General Agreement on Trade and Tariffs, a regulator of international trade) against Japan’s farm import policy. According to Washington sources, the complaint will be held up at least until after the June 26 elections of the Upper House of the Japanese Diet—elections very important to Nakasone’s political future—and may be held up even longer.

In turn, the Nakasone administration has made some recent pledges of trade concessions which, if fulfilled, will make Reagan’s attempt to dampen protectionism somewhat easier. The Ministry of International Trade and Industry (MITI) has said it will promote greater import of manufactured goods by drawing up *tax incentives for selected imports*. Nakasone has also instructed Japan’s government-

owned high-technology powerhouse, Nippon Telegraph and Telephone, to purchase more high-technology goods from the United States.

Facing the Third World debt crisis

A final potential area of Reagan-Nakasone concord is on the issue of developing country debt. Certain White House advisers felt that a systematic solution to the debt problem should have been discussed at Williamsburg, but they lost out to the Shultz-Donald Regan line. The latter convinced Reagan to insist that the U.S. “recovery” and continued International Monetary Fund management will solve the problems. These White House advisers are known to feel that as the U.S. recovery softens and the debt crisis reemerges, they can reapproach the President with a different idea.

Of all the summit attendees, Nakasone is most attentive to the need for a systematic solution, as shown by a speech at Johns Hopkins given hours after his meeting with President Reagan—a speech virtually blacked out of the American press:

We have to formulate policies that will turn the still-fragile recovery into a long-term and sustainable growth for the world economy. . . . *For this purpose we can no longer rely solely on the standard economic policies or on existing domestic and international systems and institutions* [emph. added]. . . . We should improve the rules and institutions for the management of the world economy which are showing signs of fatigue. . . . I believe it is high time we cooperated further on a global basis in areas of trade, currency, finance and natural resources. Of course this task cannot be carried out in a confrontational atmosphere between developed and developing nations. . . . There can be no prosperity in the North [developed] countries without prosperity in the [developing] South.

The *Times of India* pointed to these Johns Hopkins passages as reflections of Nakasone’s talks with Indian Finance Minister Pranab Mukherjee days before the summit.

Nakasone has Reagan’s ear to some extent on this issue. His intervention led Reagan to publicly refer to letters he had received on the debt and development issues from Indian Prime Minister Indira Gandhi, the current chairman of the Non-Aligned movement, and from Colombian President Belisario Betancourt.

During the summit itself, Nakasone toned down any discussion of new institutions, including a Japanese-proposed Global Infrastructure Fund (GIF) for massive infrastructure projects in the developing countries. This is possibly because private emissaries had informed Nakasone that Reagan would react poorly at this time. However, the relationship Nakasone has gained with Reagan may mean that in this time of crisis, as the debt conjuncture grows more acute, Tokyo may have a channel in Washington it would not otherwise possess.

Will the House mount opposition to the IMF?

by Ronald Kokinda in Washington, D.C.

Scheduling the vote on such short notice that the railroad was obvious, the U.S. Senate on June 8 passed an \$8.5 billion increase in the U.S. quota commitment to the International Monetary Fund (IMF) by 55 to 34. Supporters were left unscathed by the ineffective attack of IMF opponents who, by harboring a fifth column, focused their efforts on issues such as IMF officials' exorbitant salaries, the participation of Communist nations in the IMF, and the "predatory export subsidies" of IMF loan recipients. One Senate staffer who attended an anti-IMF meeting before debate began, remarked, "I think the IMF's secret weapon is Gordon Humphrey [a New Hampshire Republican and a Heritage Foundation leader in the anti-IMF opposition]. I told them that their strategy was going to ensure that the IMF got its bailout."

IMF backers, including Secretary of State George Shultz and Treasury Secretary Donald Regan in the administration, and Senate and House leaders such as Sen. Howard Baker (R-Tenn.) and House Banking Committee Chairman Fernand St. Germain (D-R.I.), are anxiously seeking congressional approval before the Ibero-American debt situation publicly explodes, detonated by the giant debt of Brazil. The more imminent a financial blowout becomes, the less prone will congressmen and President Reagan be to "throwing good money after bad." It is for that reason that Shultz and his allies hope to manage a series of smaller, more controllable shocks to the financial system rather than one big shock which will provoke Congress or the President to resist continuing down the IMF road. Important assets for Shultz in this maneuvering are the British-run Heritage Foundation, the National Taxpayers Union, and other fronts for Mont Pelerin monetarism operating in the anti-IMF camp.

The focus of the IMF fight now shifts to the House, which is expected to take up the quota increase no later than immediately after the return from the July 4th recess. IMF opponents in the House report their greatest immediate fear is pressure from the Senate to consider the IMF vote as part of the FY83 supplemental, thereby putting it on an even faster track. If this is avoided, one anti-IMF office expresses "cautious optimism" that serious opposition to the IMF can be mounted.

St. Germain is committed to pushing the IMF bill through the House but is playing at least two sub-games of his own which are more broadly coordinated with Shultz and his deputy, Undersecretary of State for Economic Affairs W.

Allen Wallis. First, he and Shultz are attempting to force Reagan much further out front in support of the IMF, threatening that Democrats will withhold support of the IMF if he fails to do so. Shultz and Regan need Reagan to be compromised enough to secure his acquiescence in a several billion dollar credit line from the U.S. Treasury to keep Brazil in the IMF game.

Second, St. Germain has been attempting to write into the legislation a Rohatyn-type stretchout of the international debt, all to be accomplished under the continued power of the IMF. At the Banking Committee markup, St. Germain justified the stretchout provisions, which had not been approved by the relevant subcommittee, because the "administration needed a bill." Banking committee Democrats across the spectrum back the IMF bill.

Some Capitol Hill observers suggest, however, that some hard work could forge a coalition of conservatives and liberals to oppose the bailout. Reagan's political base feels that his support for the IMF is political disaster. As one commented, "The IMF decision is the worst that the administration has made." Opposition may also come from the Congressional Black Caucus, which supports an amendment banning future IMF loans to South Africa. If this provision is unaccepted by the Senate, the Black Caucus will be politically hard-pressed to vote for the bill, particularly in the wake of recent South African attacks on the territory and cities of neighboring black African nations.

Senator John Melcher (D-Mont.) has argued several times that the IMF is shutting down Third World economies and not protecting U.S. exports, as IMF proponents Senators Jake Garn (R-Utah), John Heinz (R-Pa.) and Charles Percy (R-Ill.) have argued. On June 6 Melcher demanded, "Did you hear that? The IMF says, 'If you are going to get this money, you are going to cut back on your imports.' Those who are going to make the argument that this is necessary for trade, please recognize the truth. Reducing imports will be a condition and is now a condition and will be a condition on new loans."

Unfortunately, these were the most cogent arguments made, and Melcher himself has attacked LDC export subsidies to their mining industries. Senator Jesse Helms (R-N.C.), while attacking the IMF as a bailout of the big banks, also has demanded that the IMF implement a Swiss plan to sell off its gold stocks to raise necessary capital. Such arguments, which bypass the basic issues of national sovereignty, mean that the House too will probably capitulate.

The sovereignty issue was in fact raised: The assassins of nation states, Heinz, Percy, and William Proxmire (D-Wis.), were blatant in their attacks on sovereignty. Heinz lauded the IMF as the only institution which tells nations how to "get their houses in order." He then called for the United States itself to surrender sovereignty. "Indeed," said Heinz, "in many ways the IMF is something we could almost use here to get things under control, improve our balance of payments, and take care of our domestic deficits."

AFL-CIO program: barely disguised corporatism

by Carol White

For everyone familiar with Lane Kirkland's AFL-CIO operation, which acts as a front for the Harriman-KGB wing of the Democratic Party, its call to rebuild America may at first be surprising. The new program issued by the Industrial Union Department (IUD)—"Rebuilding American Industry"—almost seems on target when it asserts that "America's industrial base is dangerously eroding." Going on to stress unemployment and the loss of competitive edge in high technology industries, Kirkland's report justly notes: "No modern developed country can afford to allow its basic industry to deteriorate."

After blocking efforts to oust Federal Reserve Chairman Volcker and force interest rates down, the Kirkland-Harriman faction has the temerity to pin responsibility for the more than 12 million unemployed on Reagan policies.

Nonetheless, this program can sound credible to the unwary worker who sees the steady erosion of jobs. The program calls for a reversal of the "current painful process of deindustrialization [which] will require a national commitment to a new American industrial policy designed to rebuild our country's ailing industrial base—and to foster new industries—as the foundation of sustained, balanced economic growth."

Written by Kirkland's protégé Howard D. Samuel, a member of the U.S. Association for the Club of Rome, the document is, of course, not straightforward. It has the typical corporatist Second International program, including control of industry by "tripartite committees representing labor, business, and government in each industrial sector."

The pro-high-technology veneer of the report is thin. Indeed, when policy recommendations include the typical greenie-environmentalist demand that all new technology be submitted to impact analyses, the pretense becomes pathetic. At best, the program's promoters suggest a bit of modernization to keep up with the Japanese Joneses—as a cover for their real push to keep out Japanese products and seal U.S. borders.

Their policy recommendations are a replay of the German left Social Democratic program in the last elections. They call upon: "Management [to] 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. . . . Only new technology which improves the quality of working life as well as traditional productivity measures should be introduced."

Thus, they would do to American industry as a whole what the environmentalists have succeeded in doing to the nuclear power industry. This, with recommendations for job-creation programs, forms the basis for the National Employment Priorities Act which they propose.

All of the above, however, is merely the setting to demonstrate a context for accelerated economic warfare against America's international competitors. This is laid out in an accompanying policy document, "International Trade, Industrial Policies, and the Future of American Industry," a subject of future *EIR* coverage.

As the recession deepens, and as more and more jobs become non-union and more and more union members are out of work altogether, the Kirkland forces could not be a credible political force without addressing the erosion of America's industrial base—particularly in the face of the active campaign by the National Democratic Policy Committee for a national economic mobilization modeled on the 1939-45 recovery of the economy.

As this magazine has documented, there is no recovery going on. While most Americans can smell a rat, even when the rat talks about making jobs, the rhetoric of the IUD program suggests the experience of the World War II recovery or the pull-back from the postwar recession when the Korean war began. Most Americans confuse the effect of the spillover of new technologies into the civilian economy with the much more meager benefits of production running at capacity levels.

The IUD program is a deliberate fraud; but it is interesting precisely because it is credible, as opposed to those fascist programs which openly push labor intensive job-creation.

As recent LaRouche-Riemann economic model studies have documented, there is no pathway for recovery except a major technological revolution of the sort implied by the massive introduction of lasers into the process of production. Without such a boost to productivity, even lowered interests rates cannot do more than temporarily halt the downward slide of the economy. As this magazine has documented, the World War II defense industries were a stimulus to recovery precisely because they led a forced-march introduction of new technologies into production, and, as in the case of the aluminum industry, created whole new branches of industry.

The U.S. economy will recover only as it absorbs the technologies which will be developed as President Reagan's program for beam weapon development is implemented. As recent LaRouche-Riemann model studies have shown, only the levels of productivity indicated by massive mobilization of the civilian economy to absorb these technologies at a rapid rate can replicate the economic boost to the economy which we experienced from 1940 to 1945.

This is a program which Lane Kirkland has explicitly opposed.

Dr. K on the brink

The expert on crisis management is now dealing with one of his own.

In the first week in June, *EIR* has been told by a number of Kissinger-watchers, Henry Kissinger began precipitously to descend into a nervous breakdown.

"It's eerie," one of these sources commented. "It's almost like he's haunted. Before, Kissinger's always been so sure of himself." The Kissinger-watchers' evaluation is that if Kissinger doesn't drop out of sight for awhile, his paranoia and megalomania will take over to the point of real crisis. Otherwise, they say, "he's going to put himself right in a psychiatric ward or worse."

Evidence of the breakdown had surfaced at the time of Kissinger's posh 60th birthday party on May 26 at the Hotel Pierre in New York, where Dr. K was toasted by such other has-beens as former West German Chancellor Helmut Schmidt. Even the London *Guardian*, a newspaper run by the British intelligence circles Henry reports to, felt obliged to mention that the \$75,000 dinner-dance was greeted by demonstrators yelling "murder." The charges that Kissinger set up the assassinations of former Pakistani Prime Minister Bhutto, Italian leader Aldo Moro, and Chilean President Salvador Allende, among others, have followed him on every public appearance for 18 months.

Then, the week of May 30, Seymour Hersh's biography of Kissinger, *The Price of Power*, hit bookstores—and the press. Review of Kissingerian "dirty tricks" is the theme. The report which has gotten most media attention, and the most violent reaction from

Kissinger, is Hersh's story of Kissinger's duplicity in 1968, when he approached the Humphrey camp as well as the Nixon one. To Nixon he provided inside information on the Johnson-Humphrey administration's Vietnam negotiations; to Humphrey he offered damaging files on Richard Nixon. He also begged the Humphrey campaign for assurance that, should they win the election, Kissinger—adviser to Republican presidents—would be guaranteed the post of National Security Adviser or at least a position on the National Security Council.

On a recent "Night Line" (ABC-TV), Kissinger was asked about the current administration's activities in Central America and covert operations in his tenure at NSC and the State Department. Where once the great diplomat could have deflected the question with a suave witticism, now Kissinger's face was grim, frozen. In an almost desperate tone, he insisted that never, never had he engaged in covert operations or assassinations. That would be murder, he said.

Back on "Night Line" June 1, Kissinger addressed the issue of those "slimy lies" in Seymour Hersh's book. If Humphrey were alive today, Kissinger insisted, Humphrey would back him up.

Unfortunately for Kissinger, the next day a former Humphrey campaign worker appeared on nationwide network news to confirm Hersh's charge in its important particulars. Former Humphrey campaign worker Zbigniew Brzezinski did the same.

These items were followed on the

news broadcast by a film clip of Kissinger disembarking at the Houston airport and being besieged by reporters. "No comment," he hissed.

Kissinger's Houston trip was itself traumatic. He had scheduled first a secret reception at Houston's posh Bayou Club and then, top-secret, a briefing on handling Mexico and the Latin American debt bomb to 100 Houston insiders. The briefing was sponsored by Georgetown University's CSIS, along with Exxon and Quintana Petroleum (the company of Roy Cohn's playmate Baron Ricky di Portonova).

Though shrouded in secrecy, and completely off-limits to the press, the fact of Kissinger's trip and its purpose was leaked to members of Lyndon LaRouche's National Democratic Policy Committee (NDPC). As a result, local press tried to crash the reception at the Bayou Club, to be told repeatedly that Kissinger was thousands of miles away and then to be bodily ejected. An NDPC picket line was in front of the Bayou when a limousine pulled in with Kissinger huddled inside. On Kissinger's face appeared a look of horror. Where was the leak?

The latest issue of *Public Policy* magazine runs an extraordinary interview of Henry Kissinger by New York Sen. Daniel Patrick Moynihan. The old self-confidence is gone. Instead, Kissinger agonizes over the "many indignities," the "vilifications" he has been subjected to by President Reagan's closest advisers.

If the Seymour Hersh book is a signal that the Anglo-American Establishment is considering abandoning Kissinger as a liability because of the scandals clinging to his name, what of the rumors that another book on Kissinger is in the offing, this one to expose his links to the Soviet KGB from 1944 onwards?

Senate continues dereg hearings

The Senate Banking Committee, chaired by Jake Garn (R-Utah), held omnibus oversight hearings on the condition of the U.S. financial sector through early June.

At the June 8 hearings, Assistant Attorney General William Baxter presented the furthest-reaching proposals for the total deregulation of the U.S. banking structure yet.

Baxter, who said that he was speaking only for the Justice Department and not for the administration as a whole, called for the repeal of the McFadden and Douglas Acts and repeal of certain sections of the Glass-Steagel Act.

These laws, which prohibit interstate banking, and proscribe banking activities and the purchase of banks by other financial entities, have protected American regional banks from being absorbed by Wall Street, the insurance companies, and investment houses. Regional banks account for the bulk of productive lending in the United States, as *EIR* has documented.

While Senator Garn, who had just finished floor-managing the Senate's approval of the International Monetary Fund's quota increase, told Baxter that complete repeal of these provisions was impossible, because only 30 senators would support it. Garn has announced that he intends to make 1983 a year in which to conduct hearings on the state of the banking industry and 1984 the year to enact further deregulation.

Senator William Armstrong (R-Colo.), when asked what he thought about the deregulation proposals, replied, "I share your concern about this.

My idea of a bank is the small local bank serving the needs of the community. But the reality is that our financial institutions are being deregulated by the market place and there is nothing we can do about it but adapt to it and make the best of it."

In other words, the "invisible hand" can sweep away the institutions that built America, and no one should take action.

What Congress said about Lebanon troops

The Congress, directed by the Senate Republican and House Democratic leadership, has put strict restraints on the Reagan administration's capacity to take future military actions to stabilize war-torn Lebanon.

Language restricting the future extent and role of U.S. troops in Lebanon without full congressional approval was added to the Lebanon Emergency Assistance Act of 1983, passed by the House on June 1.

The bill has already been passed by the Senate.

The relevant section demands that "The President shall obtain statutory authorization from the Congress with respect to any substantial expansion in the number or role in Lebanon of U.S. Armed Forces, including any introduction of U.S. Armed Forces into Lebanon in conjunction with agreements providing for the withdrawal of all foreign troops from Lebanon."

Democratic Rep. Lee Hamilton of Indiana noted that the Foreign Affairs committee thought that "several hundred" troops over the 1,200 now in Beirut and 600 on ships offshore would be a "substantial increase."

He also said that placing U.S. troops in any area of Lebanon with a higher potential for actual combat was considered a change in their "role" in Lebanon.

Representative Richard Durbin (D-Ill.), a pro-Israel member who received wide support from around the United States for his 1982 congressional race against Trilateral Commission member and PLO supporter Paul Findley, complained that the administration should already have had to seek congressional approval for the use of U.S. troops under the War Powers Act of 1973.

"I wonder if, in creating new categories that would require congressional approval," said Durbin, "we are not virtually surrendering the War Powers resolution and our power in Congress to approve the stationing of those troops in the first instance."

Hamilton pointed out that the Democratic leadership was jealously guarding the War Powers Act by specifically writing in a provision that "nothing in this section is intended to modify, limit, or suspend" it.

Additional funds to help rebuild Lebanon were included in the FY83 appropriations: \$150 million in grant economic support fund money; \$100 million in foreign military sales loans guarantees; and \$1 million in international military education and training.

House committee votes to curb covert operations

The House Foreign Affairs Committee voted up a bill sponsored by committee chairman Clement Zablocki (D-Wisc.) and House Intelligence Committee chairman Edward Boland (D-

Mass.) to halt U.S. covert operations in Nicaragua.

The bill, which passed by a vote of 20 to 14 on June 7, was backed by the Democratic Party leadership and passed on what amounted to a party line vote. Democrats and Republicans commented after the vote that there has not been such a partisan split on foreign policy in many years.

The committee also voted for a substitute approach of giving "overt" assistance to Central American nations seeking to cut off the flow of arms to guerillas fighting in El Salvador.

According to press accounts, the "overt interdiction" program is designed to include sea blockades, cordons sanitaires on the ground, and monitoring assistance to stop the arms flow. However, these specifications were not written into the bill.

Capitol Hill observers say there is scant chance that the House Democrats' bill will actually become law, because of both executive branch opposition and doubts of Senate acceptance.

Opponents in the House generally think the program is an ineffective attempt at dealing with the arms flow alone, rather than bringing direct pressure on the Nicaraguans who are funneling the arms.

These representatives promise a strong battle on the House floor

Rep. Dante Fascell (D-Fla.), in an unusual move, voted with the Republicans against the cut-off of covert operations.

While he is often cited as the liberal Democrats' favorite to replace Zablocki as chairman of the Foreign Affairs Committee, Fascell is reported to have voted in opposition to Za-

blocki because he is anxious to maintain administration support for "Project Democracy," a program whose effect would be in truth to heat up "hot spots" to enmesh the President in crises.

Club of Rome's Pell calls Soviets no threat

Rhode Island Democrat Sen. Clairborne Pell's commencement address to Columbia University May 17 made the senator's allegiance clear.

The address was read into the *Congressional Record* by Sen. Robert Stafford (R-Vt.), the man who helped the William Ruckelshaus appointment through the Senate, on June 7. Pell is the only member of Congress who belongs to the Club of Rome.

"Long before our [Pell's and his father's] time, we had an historical connection with this wonderful institution of learning, then called King's College. . . . I would add that my Tory origins have eroded a bit with the passage of time. . . .

"The fact is that the United States and the U.S.S.R. have so entangled their opposing defense policies in outdated rhetoric that it is doubtful that either side has an accurate understanding of the other's true objectives.

"It is entirely possible, for example, that the Soviet Union is motivated far more by fear of its adversaries than by a compelling desire for territorial or ideological expansion."

Pell declared, "We fellow passengers on spaceship Earth are starting to say 'Nuclear war is too important to leave to governments' and seeking to seize more reins of power for ourselves."

Pell also cited urbanologist Con-

stantine Doxiadis's concept of ekistics, for reducing urban settings to a "human scale." Doxiadis was trained at Mount Athos, the centuries-old Gnostic "think tank" in Greece.

Trap set for Reagan on IMF quota

According to sources on the House Banking Committee, chairman Rep. Ferdinand St. Germain (D-R.I.) plans to sit on the quota increase for the International Monetary Fund "until President Reagan sticks his head in the noose." St. Germain has said that the Democratic leadership will help push the bailout package through the House only after the President publicly urges quick passage and demands backing from House GOP members. In the June 8 Senate vote, only 17 GOP members voted for the bailout.

"We want Reagan to show that this is *his* legislation, that he stands behind the IMF," said one aide. "That will undermine any serious opposition to the bill. It will get Reagan more personally hooked into the process of rescuing the system.

"Reagan is operating under the delusion that the quota will be all that is needed to save the day," said the Banking Committee source. "He believes the garbage that the recovery will take care of things. Once he stands solidly behind the IMF, he is going to look like a fool later on when it becomes obvious that the IMF debt restructuring is not working. Brazil already shows this. It will only get worse and worse. We [the Democrats] are going to say that we passed the quota because the President asked for it."

National News

Presbyterians praise 'peaceful' Soviets

A delegation of Presbyterian clergy and laymen has just returned from a month-long trip to the Soviet Union spreading the line that Christians must transcend "narrow" national concerns in the search for peace, and that the blame for U.S.-Soviet tensions lies with the United States.

The delegation of 39 Americans was organized by the National Council of Churches (NCC) in collaboration with the Russian Orthodox Church. The group attended meetings and religious services in Moscow and eight other cities, where it was thoroughly inculcated with the anti-American, pro-world empire views of the Russian "Third Rome" cult. The meetings were described by the sponsors as the first between supporters of local "church peacemaking programs" within the United States and the Soviet Union.

According to Bruce Rigdon, a leader of the delegation and consultant to the NCC, "One of the things we tried to say in all the churches we visited was that no matter what happens politically or ideologically between our nations, the relations between the faithful in our churches will not be broken. That is to say, we recognize that being a Christian transcends narrow national interests on both sides. We want to commit ourselves to being a small and fragile bridge between churches . . . a bridge between peoples—across which information can be conveyed, and trust can be established."

The information Rigdon's "bridge" is conveying is KGB disinformation. Several participants interviewed in the June 4 *Baltimore Sun* praised the Russians' great "desire for peace"—implicitly contrasting this with the hard line taken by the Reagan administration.

Delegate David Thurber told the *Sun* that although the Russians talk of their desire for peace, the delegation "sensed from the Soviet people a mistrust of the U.S. government."

He cited one worship service at a Moscow Baptist Church at which a Russian woman asked the Americans, "Why don't you people go home and tell your government to stop producing such weapons of death and destruction?"

NYC schools: rapidly sinking ship of fools

Just a month after the New York City School Board elections in which the Classical Education Slate endorsed by the National Democratic Policy Committee waged a fight to initiate curriculum reform to educate students to be "laser literate," Aspira, Inc. of New York City has revealed the findings of its investigation of the city's public schools.

The report reveals:

80 percent of all Hispanic students drop out of high school;

72 percent of all black students drop out of high school;

50 percent of all white students drop out of high school.

These figures are far higher than the board of education's own astounding admission of a 45 percent drop-out rate. A board spokesman, when confronted with these figures, tried to explain the discrepancy by saying that the board does not maintain separate records to indicate students' race.

The Aspira investigation also revealed that of the students who finish high school, only 32.6 percent receive Regents Diplomas, which means that they have completed designated college preparatory courses and passed state exams. These students all attend four schools in the city: Stuyvesant, Bronx School of Science, Brooklyn Tech, and Music and Art School.

Congressman: 'probe federal workers union'

Congressman Eldon Rudd (R-Ariz.) has demanded an FBI investigation of the American Federation of Government Employees (AFGE), the Institute for Policy Studies-dominated federal employees union for national security violations.

Rudd said in early June that he wants to find out whether the AFGE is using its members in the Defense Department to obtain classified information to feed to IPS-linked peace groups opposing the President's defense program.

AFGE head Ken Blaylock had suggested that the union do just that in a March 15,

1982 meeting of the AFGE executive council. Minutes of the meeting were published this May by the journal *The Government Union Critique*.

Sources in the intelligence community have warned that AFGE is serving as a conduit for transmitting of government secrets to the KGB through the "peace movement."

EIR's security newsletter, *Investigative Leads*, has reported that AFGE, under the direction of IPS operatives, represents a terrorist capability within the government, especially in Washington, D.C.

"It is a serious threat to our national security," said Rep. Rudd in a letter sent to FBI Director William Webster requesting the probe of AFGE, "and it leaves open the question of whether classified information is being compromised for the sake of a group's political agenda."

California LULAC endorses beam weapons

The California convention of the largest hispanic organization in the United States has—after acrimonious debate—overwhelmingly endorsed President Reagan's program for defensive beam weapon technology development and the associated military, R&D, educational, and economic policies required for implementing Reagan's Mutually Assured Survival strategic doctrine.

Opposition to the endorsement at the early June convention of the California branch of the League of United Latin American Citizens (LULAC) was led by a member of the American Friends Service Committee and the Socialist Workers Party who devotes much of his energy to slandering *EIR* founder Lyndon LaRouche and his National Democratic Policy Committee.

Beam weapon opponent Reynoldo Munoz tried to motivate a vote against the resolution by saying it is "real technical. . . . We call it Star Wars." If a nuclear war happens, "we ain't gonna be around to worry about it. . . . Even the generals can't decide on this one. . . . We don't know enough. Therefore, we should vote no."

But Munoz's argument was undercut when the final speaker in favor of the resolution rose to say, "I want to explain what high energy particle beams are." Speaker Larry Luera, the former state LULAC pres-

ident, noted that, "The latest report of the DOD on southern California states that there are over 120 Soviet missiles assigned to California. . . . Don't be scared by Star Wars and high technology. We belong in Star Wars. We belong in high technology."

Another pro-beam speaker, Lorenzo Quintana, concluded, "I disagree with Reagan on about 99 percent of what he does, but on this issue, Reagan has shown a little bit of wisdom. We must have nuclear beam weapons to protect our borders."

The resolution, introduced by LULAC Council 2010, whose chairman, Buela Juarez is a Santa Monica foe of Tom Hayden, was the only one brought to the convention floor for debate rather than being endorsed first by the resolutions committee. The reason, the committee's chairman explained, was that the national organization under Tony Bonilla has endorsed the nuclear freeze.

The state LULAC resolution will be presented both to the California Senate, which has a beam weapons resolution before it, and the national LULAC convention.

The California organization also passed a strongly worded condemnation of the Simpson-Mazzoli immigration bill now before Congress, and endorsed a June 11 march against the proposed legislation. Sources report that both Bonilla and People United to Save Humanity leader Jesse Jackson favor the Nazi legislation.

At a recent meeting Jackson and Bonilla are reported to have decided on joint action to fight the Reagan administration's dismissal of three minority members of the Human Rights Commission.

Reagan target of New Hampshire conference

Among the four stops by KGB and other peaceniks through about 30 U.S. cities is the July 9-16 conference of the Forum for U.S.-Soviet Dialogue at the Benedictine school of St. Anselm's in Manchester, New Hampshire.

One of the planners has said that at the pre-meeting for this year's conference, attended by Soviet representatives of the Forum, the principal issue discussed was President Reagan's March 23 speech announcing U.S. commitment to develop defensive beam weapons, ushering in the era of Mu-

tally Assured Survival. This, decided the conferees, must be defeated, and has to be the focus for the Forum's organizing activities because it "raises the level of fear."

John Kenneth Galbraith will be the keynote speaker at the conference. A member of the Federal Reserve Board of Governors is also scheduled to speak.

The Forum was founded in 1972 by a member of the Vietnam Veterans Against the War right after he returned from a Minsk visit at the invitation of a Soviet Youth Congress. According to sources in on the founding of the Forum, collaboration with the Russian Orthodox church was pivotal from the beginning. Last year the U.S. delegates traveled to Zagorsk, the main monastery of the Russian patriarchate, and met with the patriarch of the Ukrainian church.

Sources have said that the delegates to these "dialogues" must be young, up-and-coming professionals, 35 or under, and must appear to be headed for policy-making positions. Delegates undergo intense sessions to promote people-to-people interactions as the basis for U.S.-Soviet relations.

Among the participating institutions are the Hoover Institution, American Enterprise Institute, Brookings Institution, and the Rhodes Scholars Association.

Minority press support Simpson-Mazzoli

The Amsterdam News and *El Diario* both carried editorials in early June supporting passage of the Simpson-Mazzoli bill, the Nazi legislation before Congress that would severely restrict immigration and require all U.S. workers to carry worker identification papers. *The Amsterdam News* is New York City's largest circulation black paper; *El Diario* targets the Hispanic population.

Arguing on the "positive side" that the registration of over 700,000 illegal aliens in the New York City area would dramatically increase the clout of the minority vote, the papers followed the "carrot" with the "stick": if the bill is not adopted, there will be round-ups of aliens all over the United States.

"Illegal alien" round-ups have already increased in several areas of the country—a means of creating a "self-fulfilling prophecy" around the fear of what will happen if the bill is not passed.

Briefly

● **KENNEDY DEMOCRAT** Sen. Paul Tsongas (D-Mass.) endorsed Senator John Glenn (D-Ohio) for the presidency June 7, based on the "criteria of electability and ability to govern." Senator Tsongas is a sustainer of the Ecumenical Patriarchate of Constantinople, and a member of its ruling body, the Archon.

● **A U.S. GREEN PARTY** has been founded, according to the June 6 *Seattle Post Intelligencer*. The article reported that the University of Washington founding meeting was organized by representatives of the recently created Green Party of British Columbia, Canada, and the principal speaker was B.C. Green Party head Adrian Carr. About 40 attended the gathering, which almost immediately split between the Citizens Party members there and others. One faction contended that "nationalism is the cause of oppression."

● **RAY FENNIMORE** and Daniel Barton, candidates backed by the National Democratic Policy Committee (NDPC), won Democratic Party nomination for the New Jersey state assembly elections in primary races June 9. Judy Eberhart, also an NDPC candidate, won election to the Bergen County Democratic Committee in an unopposed race.

● **TEAMSTERS** Union president Jackie Presser announced that his union will support the Nunn Labor Racketeering bill now before Congress, if certain amendments are adopted. Presser was speaking before the Senate Labor and Human Resources Committee June 7. The proposed amendments to the bill, which would ban union officials from holding office upon conviction of a felony, would leave the length of ban from holding office at the discretion of the judge. Committee Chairman Orrin Hatch (R-Utah) called the proposal "a tremendous change."

There ain't no Commies in Russia

Little Father Yuri Vladimirovich Andropov, Batyushka, is a clever Czar. He has the anti-communist suckers of the western world believing that he is a dangerous, sneaky Commie. Batyushka is a dangerous, sneaky Czar, who knows the usefulness of having his enemies suckered into believing that he is a Commie. This way, Batyushka's enemies can't figure out his moves. Proof of it is that our anti-communist fellows have completely missed what the Little Father has been up to with the Swiss bankers. Who would have imagined, among our fire breathing anti-communists, that Yuri Andropov is conducting sophisticated financial warfare against the United States, in league with Dr. Fritz Leutwiler, the head of the Swiss Central Bank?

Four weeks ago, the *Financial Times* of London, taking their clue from Mr. Geoffrey Howe of the Bank of England, expressed their great consternation at the activities and policies of Dr. Fritz Leutwiler, then visiting "The City," because Dr. Leutwiler had been proposing no less that a generalized collapse of the international credit and monetary system as a sound policy which central banks should adopt. He was specifically calling for the deliberate collapse of the entirety of Latin America's \$300 billion-plus foreign debt, a measure designed to crash the United States banking system overnight.

The folks in London town had no objection in principle to Leutwiler's idea until they inspected more closely what Leutwiler intended to achieve with such a collapse of U.S. banking and finance. They then found that the old Nazi Fritz Leutwiler has worked out a deal with Czar Yuri Andropov. Cold sweat dampened London's silk shirt-collars as memories of the 1939 Hitler-Stalin Pact leaped out of the dark. Except it was no

Stalin, it was Batyushka. Leutwiler and the old Nazi International are scheming for an anti-American "independent Europe" going into a long period of economic and business partnership with the Soviet Union. In this, the West German Bundesbank is following in Leutwiler's goosesteps. So are numerous deluded West German businessmen, who are fantasizing about a lucrative "Mitteleuropa" satrapy surviving by rendering indispensable economic services to Holy Russia.

A further question for financial intelligence specialists: did Swiss financial advisers tell the Saudis to pull their money out of the deal to refinance Brazil's debt in pursuit of the Leutwiler scenario? And why did the Saudi pullout coincide in time with King Fahd's letter to His Imperial Majesty, Yuri Andropov, offering normal diplomatic relations? One never knows.

The Swiss bankers have a lot of clout in the Arab world. The Switzerland-domiciled Nazi International of M. François Genoud is now in control of the insurgent part of the Arab world, including the insurgency against Arafat within the PLO. The Swiss Nazi International in fact works for the KGB in the Middle East. What would happen to Europe if the Middle East fell under the influence of this Soviet-Swiss Nazi deal? All of Europe's energy supplies would be in the Czar's hands. All of Europe's finances would be in Leutwiler's hands. And all of Europe would be under the Czar's artillery. No, Yuri Andropov is too clever to be a mere Commie. He is the Little Father of old Imperial Holy Russia, the Third Rome. Leutwiler is too clever to be afraid of Russian Commies that don't exist. Will the dumb American anti-communists ever become clever enough to figure out that there ain't no Commies in Russia any more?

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