

# EIR

Executive Intelligence Review

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The U.S. side of Khomeini's terrorist apparatus

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Volcker's colonial economics**



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# EIR

## From the Managing Editor

The U.S. National Security Council, at its initial Nov. 30 meeting to deliberate on the Fletcher Report on beam-weapons development feasibility, was reportedly "surprised" by the "phenomenal effort" under way in the Soviet Union for beam weapons. According to Lowell Wood, head of Lawrence Livermore Laboratories' "O Group" of advanced physics researchers and a pioneer in laser fusion, it is clear even from routine satellite surveillance that the Soviets are far ahead of the United States in all areas of beam development. This shock has brought the NSC to a consensus on the necessity for energy-beam defense. But will the Reagan administration resolve upon the crash program required to achieve that defense in time? In this issue of *EIR*, we attempt to present the scope and immediacy of a war danger the White House and Congress are underestimating by far.

That crash program requires more than laser research. "We must not look at the mobilization of defense simply as a defense mobilization. We must say that everything that might have been done to avert war was done," said Lyndon H. LaRouche, Jr. in a recent speech in West Germany. "I don't like war, even if *Izvestiya* calls me a troglodyte. But we must prepare for war, we have no choice. The threat of war makes the citizen a citizen. We must create institutions that can rule society, that can govern, and never give up power again to this pluralism, this liberalism, this philosophical indifference. We must bring back the principle of reason, of the citizen."

One of the immediate prerequisites for defense is to strengthen the economies of the entire Western Hemisphere. That means ending the savage rule of the International Monetary Fund south of the Rio Grande. Our Special Report this week describes what has been done to the partners of the United States in the name of "debt refinancing," and how the proposals for debt reorganization circulating among IMF supporters would create precisely the magnitude of eventual bankruptcy and social collapse that would benefit the Warsaw Pact and no one else.

For the past 15 months, LaRouche's "Operation Juárez" strategy document has been circulating: it is a detailed plan for freezing the debt, and issuing mammoth credits for industrial and infrastructural development that would quickly make Ibero-America not only solvent, but a "new superpower" bolstering Western civilization.

*Susan Johnson*

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## Special Report



Mexico's government signs an agreement with 500 banks for a \$1.5 million loan under International Monetary Fund conditionalities on Aug. 23. Seated, left to right: Harry Taylor of Manufacturers Hanover; Jesus Silva Herzog, Mexican finance minister; Jorge Espinoza de los Reyes, Mexican ambassador to the United States; Thomas Dean of Bank of America.

Stuart Lewis/NSIPS

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## Commonwealth puts brakes on the Non-Aligned

by Susan Maitra and Linda de Hoyos

The conference of the heads of state of the 43 Commonwealth nations—former colonies of the British Empire that still accept the British monarch as sovereign—was not expected to take concrete actions on the issues of the world monetary system or the world strategic crisis. But the 41-page communiqué issued by the New Delhi conference, and its “Goa Declaration on International Security” and “Economic Declaration” are a good barometer of the degree to which the British Foreign Office, under the domination of Lord Peter Carrington, has managed to regain its imperial hegemony.

The point of comparison is the declarations on the monetary crisis and other economic issues issued by the summit of the Non-Aligned nations, which was held in New Delhi last March.

On the first day of the conference, Indian Prime Minister Indira Gandhi called upon the Commonwealth to endorse the Non-Aligned movement’s declaration for a program of immediate measures to alleviate the world economic crisis, and for an international conference under the auspices of the United Nations on money and finance for development, with universal participation. The Non-Aligned Economic Declaration deliberately specified that “an important feature of the current world economic situation is the manifest inadequacy of the Bretton Woods system, which was established at a time when economic and political conditions were vastly different, and only a few developing countries were sovereign independent nations. The Heads of State or Government stress the need to create a new equitable and universal international monetary system.”

The Non-Aligned summit, led by chairman Mrs. Gandhi, had also taken a strong stance against the International Monetary Fund, the British-finance dominated lender of last resort: “It is essential to avoid adjustment processes which

jeopardize the development process.” This is a clear reference to the Fund’s conditionalities policies, which have resulted in the destruction of the developing-sector countries’ productive economies.

The Commonwealth declaration deleted the Non-Aligned’s demand for the creation of a new monetary system *outside* the Bretton Woods System. The Commonwealth’s Economic Declaration states: “We share a common belief that the Bretton Woods institutions need to be adapted and better equipped to help cope with the full magnitude of the global crisis.”

This “shared belief” was arrived at after a process that began with Mrs. Gandhi’s call for an international conference. Prime Minister Thatcher countered this proposal by first insisting that individual countries had to put their own houses in order, and that if anything the international financial institutions had to be strengthened. But Mrs. Thatcher kept silent in the subsequent discussions, cutting a sympathetic profile for the “Southerners,” as was her tactic generally at this summit, and let Australian Prime Minister Hawke carry the ball for the IMF and austerity economics.

Commonwealth General Secretary Sir Sridath “Sonny” Ramphal and his Secretariat had no doubt anticipated that, in this standoff, the “soft option,” his Secretariat’s so-called New Bretton Woods proposal, would take center stage. However, Indian spokesmen had made it clear that their government did not view the Commonwealth official report, “Towards a New Bretton Woods,” with its assumption of the legitimacy and essential effectiveness of the existing financial institutions, as consistent with the Non-Aligned movement’s approach, itself identical to Indian official policy. The proposal promoted by Ramphal would establish a “new international bank” to operate “in parallel with the IMF” as a

centralized debt collector and financial policy dictator.

The final declaration of "economic action" listed the various proposals and established a Commonwealth consultative group to report to the Commonwealth finance ministers prior to their meeting next year in Toronto, on the most effective way of taking action. The consultative group is composed of representatives of Britain, Canada, Fiji, India, New Zealand, Tanzania, Trinidad/Tobago, and Zimbabwe, as well as the ubiquitous Sir Sridath.

The egg was laid, meanwhile, for the Secretariat's next operation on this crucial front. Commonwealth heads of state requested the Secretariat to assemble a group of experts to "examine the developing country debt problem in all its aspects" and report their findings to the Toronto finance ministers meeting.

### The nuclear energy battle

A similar process occurred around the question of nuclear energy. The Canadian prime minister put forward a five-point call for nuclear deterrence, which included the demand that the more stringent measures be taken to bring nations into alignment with the Nuclear Non-Proliferation Treaty (NPT), the doctrine under which the underdeveloped countries have been denied access to nuclear power technology. The treaty has been particularly aimed at countries like India and Argentina, which have been fighting to achieve an independent nuclear-power program despite intense pressure from the developed sector, including the Soviet Union.

The March Non-Aligned summit reported that the representatives there agreed that the "full or unrestricted access to nuclear technologies for peaceful purposes under non-discriminatory conditions is an *inalienable right of every state*." They stressed the need to respect the options and decisions which are made in this sphere without jeopardizing related policies and programs regarding the nuclear fuel cycle or international cooperation in the peaceful use of nuclear energy.

"The heads of state or government abhor the pressure and threats directed against the developing countries to prevent them from accomplishing their program for developing nuclear energy. In this connection, it was reiterated that non-proliferation should not be made a pretext for preventing states from exercising their full right to acquire and develop nuclear technology for peaceful purposes geared to economic and social development in accordance with their priorities, interests, and needs."

The Trudeau effort on behalf of the nuclear-energy-stifling NPT provoked controversy and outright rejection from several nations, India in the lead among them. Trudeau, who led the first part of the political discussions, protested that "NPT is the only game in town," and made a strenuous bid for support for his disarmament tactic, but the proposal was dead in the water. The Goa Declaration on Security gave only vague support for Trudeau's NPT initiative.

As chairman of the meeting, Prime Minister Gandhi set the pace for the discussion on the world situation in her

opening remarks. Mrs. Gandhi made a strong appeal for progress toward "general and complete disarmament," beginning with a decision to cease production and stockpiling of nuclear weapons, a policy commitment which was established by Jawaharlal Nehru and has been one of the foundation stones of Indian foreign policy ever since. Mrs. Gandhi called "at this crucial juncture," for the United States and Soviet Union to "exert themselves with greater determination to break the stalemate" on arms negotiations.

Referring to the "profound disquiet" caused by "recent unfortunate events in Grenada," the prime minister reiterated the need to respect the principles of peaceful coexistence, nonintervention, and noninterference in international relations. She denounced the declaration of independence by Turkish Cypriots—a near-unanimous view at the summit, the only exception being the Islamic-leaning regime of Bangladesh's Ershad. She also urged support of the efforts of the Contadora group in Central America, a call which had unanimous endorsement. Mrs. Gandhi expressed a hope that the summit would take decisive action to remove "the last bastion of colonialism" in Namibia.

### Stand on world crisis

The Declaration on International Security features an appeal to the Soviet Union and the United States to "summon up the political vision of a world in which their nations can live in peace" and "work for the resumption of a genuine political dialogue between themselves leading to a relaxation of tensions."

The declaration expresses the condition that the Commonwealth can play an important role in this effort, but singularly, and not surprisingly, failed to define any concrete action. A distinct proposal from Zambia's Kaunda, that the Commonwealth field a delegation to visit both Moscow and Washington in an effort to break down the mounting barriers of mistrust and animosity between the two superpowers, was tabled, again with endorsement of the attempt but no mandate for action.

The background to the discussion on East-West relations was the Soviet walkout on Nov. 23 from the Geneva intermediate-range missiles talks, a development which Prime Minister Gandhi promptly deplored as a "severe setback," one for which the two superpowers themselves were responsible and which they themselves must move to repair.

The Goa Declaration also emphasizes concern for the "vulnerability" of small states, a concern initially articulated by British Prime Minister Margaret Thatcher in her opening ceremony remarks, and mandated "an urgent study" of these issues. Thatcher was undoubtedly seeking to establish a further base of legitimacy for her government's controversial Falkland Islands' caper, among other things. But the suspicion that the U.K. had in mind a new military bloc was voiced immediately, and proved impossible to beat down. Sir Sridath was still issuing disclaimers and clarifications through the concluding press conference.

# Monetarism poses a clear and present danger for the Israeli economy

by Mark Burdman

The leading economic policy spokesman of the Israeli Labour Party's parliament faction, Gad Ya'acobi, rang the alarm bells Nov. 27 that monetarist austerity policies in Israel are bringing the economy to the brink of a combined hyperinflation/recessionary disaster.

Using the term "super-stagnation" to characterize Israel's current economic situation, Ya'acobi declared to the Nov. 28 *Jerusalem Post* that "we are moving into hyperinflation, and my conservative estimate today is that in the 12-month period starting on Oct. 1, 1983, the rate will be 220 percent. Conversely, we will be moving deeper and deeper into a recession, with a resulting high rate of unemployment."

Ya'acobi, a former transport minister and political ally of the late Israeli Prime Minister David Ben-Gurion, warned that this "super-stagnation" could lead to increasing emigration of young people from Israel and a slowdown of immigration into Israel; to the collapse of many undertakings in industry, since "the market for goods will shrink, while the price of capital and credit will grow"; and to a "considerable increase in unemployment." This latter problem, he said, will hit particularly hard in the area of construction and building trades.

The types of things that Ya'acobi is talking about provide an important strategic backdrop to the talks in Washington between Israeli Prime Minister Yitzhak Shamir and Defense Minister Moshe Arens and the Reagan administration. On the one hand, the potentially disastrous economic directions in Israel have created a situation where more openness exists in Israeli ruling circles to new solutions in the Middle East, especially as the expensive Israeli occupation in Lebanon is becoming untenable; this, in part, explains the adept Israeli moves of Nov. 24-25 in releasing 5,000 Palestinian prisoners from Israeli prisons and southern Lebanese internment camps. On the other hand, if Israeli economic policy continues to be under the sway of the monetarist policies of Milton Friedman and the International Monetary Fund, then Israel will be faced with the same economic and political threats which destroyed

Weimar Germany under the direction of central bank head Hjalmar Schacht, and the potentials for goodwill and new solutions in the Middle East will dissipate. The monetarists' cuts in Israel's own defense capabilities will at the same time undercut the basis for effective and stable strategic planning by the country's defense-strategy establishment.

From the same standpoint, the chances of the Shamir-Arens governing team itself surviving politically beyond a few weeks if the economy is unravelled are almost nil. Several influential figures in Israel are positioning themselves for a major political fight in the early months of 1984. Some, like former President Yitzhak Navon of the Labour Party and Deputy Prime Minister David Levy of the ruling Likud Party, both themselves of Sephardic/Oriental Jewish origin, are sensitive to the power base of the Sephardic/Oriental poorer population being hit hardest by the austerity, and are making political calculations for the coming year partially on that basis. Others, like former Defense Minister Ariel Sharon, are counting on a complete collapse of Israeli institutions and a worsening atmosphere of national crisis, to create a "strong-man" government modeled in all relevant details on the fascist regimes of the 1930s.

## 'Reduce wages, cause unemployment'

The point man for ramming home the Friedmanite-IMF policy is the recently appointed Finance Minister, Yigal Cohen-Orgad, whose policies are being likened in the Conservative British press to those of Margaret Thatcher and the British Treasury. Dissident Tories in London have recently stated to *EIR* that Thatcher's policies are undermining Britain's capabilities for defense and security.

Upon assuming office in mid-October, following the tumble of his predecessor Yoram Aridor, Cohen-Orgad declared that his policies would be to "reduce the standard of living" of the population as a means of reducing inflation. Cohen-Orgad, who himself has business-investment interests in the occupied West Bank, is at the same time committed



to maintaining flows of investment capital into the territories, and is therefore in effect triaging Israel's own economy for dubious, ideologically motivated expansionist aims.

On Nov. 22, Cohen-Orgad bluntly announced that "real wages must fall" and that the standard of living for the population in general must be dropped by 7 to 9 percent. This could be achieved, he stated, by a tripartite "working agreement" among the Histadrut national labor confederation, industry, and the government around the necessity of austerity. In former times, that kind of arrangement was known as "corporativism."

While insisting that he would make cuts in defense-related areas, Cohen-Orgad saved his particular venom for the services sector, stating his commitment to create pockets of unemployment in the services sector whose victims would at some point find work in the productive sector.

This latter set of considerations is based on the fact that the reality principle is beginning to dawn on people in Israel, although the proposed cures are worse than the disease. The *Jerusalem Post* of Nov. 17 reported that today "only about one-third of the working force is engaged in production, while two-thirds are employed in services and businesses. . . . Of the 100,000 persons who joined the labor force in the past five years, only 8,000 went into the productive sector—industry, agriculture, etc.—while 92,000 found work mainly behind a desk or counter." *Post* commentator Macabee Dean stated that "the only real way to shift manpower is to cause unemployment. . . . The government should refuse to hire any more civil servants, and let the civil service slim down by natural attrition. Let many businesses go bankrupt. At the same time, funds should be poured into the productive sectors to encourage economic growth. This will cause the jobless rate to soar, and it will remain high for years—until industry absorbs them. But the end result will be a healthier economy, one much less dependent on foreign charity."

### Debt reorganization for Israel?

These prescriptions miss the point. Israel has no options in this respect outside of the provision of new credits and the reorganization of the \$23 billion-plus foreign debt, in the context of the types of global debt reorganization recommended on repeated occasions by *EIR* founder Lyndon LaRouche, in the context of an overall economic development policy-package solution to the Arab-Israeli crises. The prescriptions involved here obviously present certain new options for the Reagan administration for both aiding and pressuring Israel at the same time, but to do this would imply a radical shift away from Washington's own obsessive reliance on monetarist policies.

In the prevailing atmosphere in Israel, possible alternative conceptions are being mooted. Labour Party chairman Shimon Peres recently called for Israel to adopt a "Japanese model" for rapid high-technology-vectored national development. Also, prior to the Shamir-Arens departure for Washington, Haifa Technion professor Arnon Dar suggested that



*Panic buying by Israelis before the October devaluation of the shekel.*

the two leaders' main task in Washington should be to win American support for providing Israel with nuclear reactors to supply the country's growing energy needs over the coming years. Dar described nuclear power development as safe and "as important as the Lavie fighter project" to Israel's future.

The Lavie project has up till now been only conceived as a go-it-alone Israeli project for arms sales to the developing sector, and for Israeli development of cruise missile launch and delivery capabilities. Were the technological innovations associated with the Lavie to be somehow subsumed by the technological-strategic-industrial renaissance indicated by American commitment to development of laser beam anti-ballistic missile systems, Israel's own economic future might itself be revitalized and saved from veering off into an economy purely based on short-term arms-sale turnovers.

One final element in improving Israel's economic situation would be to investigate some of the circumstances surrounding the recent collapse of Israeli bankshares. Comments by Swiss bankers that Israel's debt situation might be most likened to that of certain countries of the Far East suggest that the bankshare problems might have been part of a pattern of restructuring of important financial networks internationally, including networks involved in flows of money associated with global drug trafficking. *EIR* investigators have had preliminary indications that Israel's economy is being targeted for financial warfare by those elements of the British and Swiss financial communities who bankroll the Nazi International and who have a mutual strategic interest with Moscow in destroying Israel as a sovereign state over the next period.

# Scientists join astronauts on space research frontiers

by Marsha Freeman

For the first time in the history of the U.S. space program, scientists chosen by their peers to do experiments in space have been given the opportunity to work in Earth orbit without having to interrupt their scientific research to be trained as astronauts. For nine days, two scientists are joining a crew of four astronauts to perform more than 70 scientific experiments that cannot be done in the gravity environment of Earth.

Skylab, a nearly \$1 billion facility built by the European Space Agency (ESA), is undergoing its first verification tests in space on the ninth Shuttle mission. The nine-day STS-9 mission, launched on Nov. 28, will relay results to scientists on the ground from experiments in the life sciences, astronomy, solar plasma physics, materials processing, and Earth and atmospheric physics.

Never before has such a variety of experiments been performed on one flight. Never before have scientists, untrained as astronauts, come straight out of their Earth laboratories to accompany their experiments into space.

The Space Shuttle provides a launch environment that is so benign that healthy people who are not necessarily in top-flight physical condition can make the journey into space. Spacelab provides them with a shirt-sleeve environment where frontier scientific instruments are at their disposal, for studying the Earth, the cosmos, and the effects of zero gravity.

## Spacelab

This new laboratory in space is designed to be flown inside the payload bay of the Shuttle orbiter, and depends upon the orbiter for its electricity, air, water, and all consumables. In the pressurized laboratory, scientists have racks with experiments, work benches, and computers, and also a series of pallets which are uncovered, to expose experiments directly to the environment of space, so that telescopes and materials can be tested without any protective covering. The first Spacelab mission is using the pressurized lab and one pallet of instruments.

The laboratory is designed to be flown 50 times, for up to 30 days per flight. Since it comes back to Earth inside the orbiter, it can be outfitted with different scientific instruments for each flight, depending upon the kinds of experiments planned, and can be updated to take advantage of advanced instrumentation.

Spacelab represents the first non-U.S., non-Soviet foray into manned space flight, and is giving the Europeans their first experience in this field. Some of the Spacelab missions in the future will be dedicated flights where the entire laboratory will consist of European experiments. On this first flight, there are experiments from 14 nations, including the ESA countries, the United States, Japan, and Canada.

In its first two days in orbit, Spacelab has already given some of the principal investigators from the 72 separate experiments the opportunity to talk to the scientists on board as they work together to maximize the data output of the research. These scientists who have experiments in space are stationed in the Payload Control Center at NASA's Johnson Space Center in Houston to be on hand if they are needed to give directions and confer with their colleagues in space.

## Solving space sickness

The first few days of the Spacelab flight are being dedicated to the study of Space Adaptation Syndrome, the motion sickness many astronauts have experienced in orbit. These life science experiments include the study of changes in the vestibular system of the ear, to determine how balance and the perception of body orientation are effected by zero gravity.

Scientists have speculated that the information relayed by the vestibular and otolith balance organs in the ear during the first day or so of zero gravity conflicts with information relayed from visual and other sensory organs. Since the Space Adaptation Syndrome usually abates after the first day in space, scientists theorize that this erroneous data is either suppressed or ignored by the brain as the body adjusts to space.

The non-astronaut scientists, Drs. Byron Lichtenberg from MIT and Ulf Merbold from the Max Planck Institute in West Germany, have been subjecting themselves to various experiments to measure their own responses to zero gravity. Dr. Lichtenberg is himself a biomedical engineer and designed some of the experiments.

One such test involves the crew member placing his head inside a rotating dome. Painted on the dome are randomly placed dots of various colors. A camera takes real-time pictures of the eye movements of the subject while the dome is rotating. One key question principal investigator Dr. Larry Young from MIT has asked the scientists to report is how

long they perceive counter-rotation after the dome has stopped moving.

Dr. Young hopes to gather data from a number of such experiments which test the ability of the subject to orient himself to moving visual stimuli to see if he has a different perception in zero gravity than in the one gravity of Earth. In other experiments, the subject himself is rotated in a chair, and asked to focus on various objects in the laboratory, to see if his response is different in space than on Earth.

Other vestibular experiments include the ability of the subject to accurately describe the location of his own limbs as his body moves, and to test reflexes that are "normal" in Earth gravity such as the movement of leg muscles.

Data collected on these Space Adaptation Syndrome experiments will help scientists determine what preventive measures can be taken to ease the body's adaptation to zero gravity, such as restraining head movements for a period of time after launch.

Other life sciences experiments will determine more long-lasting effects on the body of zero gravity. One experiment, the Effects of Prolonged Weightlessness on the Humoral Immune Response of Humans, from the University of Illinois, will examine blood samples of crew members before, during, and after the flight. Tests will analyze the total antibody content of the samples to reveal whether weightlessness is a stress factor on the immune response.

The circulating red blood cell mass of the crew will also be analyzed and could help provide an answer to the problem of temporary "spaceflight anemia" that appears near the beginning of each space mission. Understanding this change will be important for the long-duration space flights that would be necessary to go to Mars and beyond.

Other experiments will focus on plants and microbes, to see how these life forms react to space's lack of gravity. Scientists are now looking at ways of growing food in space as part of a space station program that will place personnel in orbit for long periods of time.

### **Understanding the Earth and the cosmos**

Spacelab will give the scientific community hands-on research in all fields of space science. In the past, astronomers could send satellites out to other planets or into orbit around the Earth to make astronomical discoveries. These spacecraft were expensive and only lasted for a fairly brief period of time. By the time the data was coming in to scientists on Earth, newer technologies were already available for better science, and if the spacecraft developed problems, there was no way to fix it.

Spacelab will carry instruments into space that are on the frontier of technology. On this first mission, remarkable experiments will be done in astronomy and solar physics. Telescopes with higher sensitivity than previously possible will be taking measurements in the far ultraviolet, for example, and it is expected they will see UV emissions that are predicted just before the death of a star, but have not been

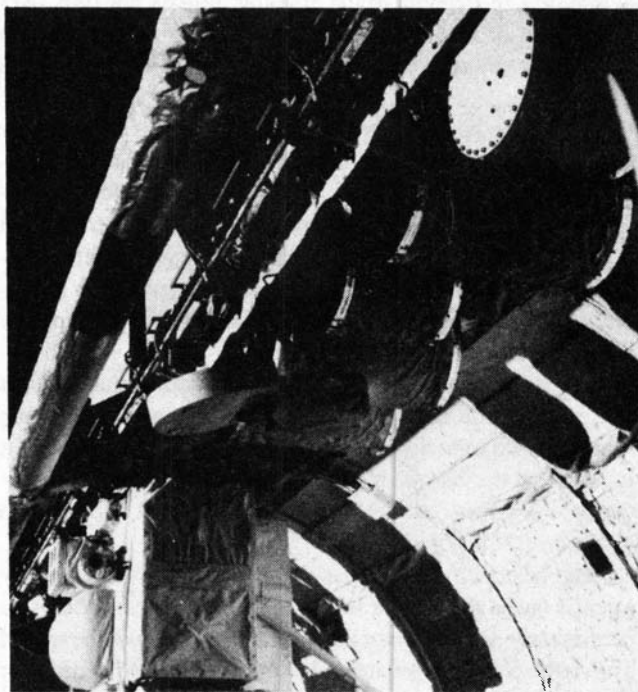
observed to occur before.

Cosmic X-ray sources will be studied by an experiment from The Netherlands. The experimental device will be able to detail the energy level of X-ray sources that are observed and provide new insights into these very high-energy events in our galaxy and elsewhere.

Since the ground-breaking astronomical research carried out a decade ago aboard Skylab, one major puzzle has been the changes in the "solar constant" or amount of total energy emitted from our nearest star. Three experiments on Spacelab, from the United States, France and Belgium, will be measuring changes in this parameter, which has a significant impact on the weather, climate, ocean level and ice caps of the Earth.

Space plasma physics is the field of study of the plasma environment around our Earth and also throughout space. Charged particles thrown off from the Sun, traveling at millions of miles per hour, bombard the planets constantly. The Earth's magnetic field provides a shield against most of this plasma, except for those particles that are released near the poles and cause the auroras that we see.

On this Shuttle mission an experimental apparatus from Japan will be used to excite the plasma that makes up the upper atmosphere, or ionosphere, of the Earth to study how the auroras are created. In order to do this, the Shuttle is flying at a very low orbit of 155 miles, in the ionosphere itself. Artificial auroras, visible from Earth, will be produced as beams of electrons are shot into the ionosphere from the Spacelab pallet experiment.



*Experiments—including some by students—being carried into space by the April Shuttle flight. The latest flight will carry scientists to perform experiments in biology, astronomy, and both solar and Earth physics.*

NASA

Scientists expect that these beams of particles will flow along the magnetic field lines surrounding the Earth. hope to learn more about the ionosphere which stores this charged particle energy, releasing it periodically in auroral bursts. These results will bear on research needed on electron beam propagation through the ionosphere required for the study of directed energy beam weapon defense programs, though the results from these civilian experiments will be not be classified.

Materials processing experiments are in progress in Spacelab, as scientists and engineers research ways to grow large, perfect crystals on space and to create new alloys and materials.

Short-term materials processing tests on previous Shuttle flights have already demonstrated that new pharmaceuticals and products to treat disease will be new space industries in the next few years.

Many experiments will be performed to gain a better "look" at Earth. Studies will be done to determine more precisely the chemical composition and chemical reactions of the upper atmosphere. New all-weather remote sensing techniques will be tested using a microwave radar instrument which could revolutionize the Landsat-like remote-sensing satellites currently in use.

Because half the experiments aboard Spacelab during this mission are from Western Europe, the orbital inclination of the Shuttle is different than previous flights. Generally, when the Shuttle is launched from Cape Canaveral, it flies directly east across the Atlantic Ocean. When it is on this orbit, which is inclined 28 degrees to the equator, it does not pass over any region of the Earth that is further north than southern Florida, or any region that is further south than the same 28 degrees.

In order to be able to photograph Europe, the Shuttle flew northeast after launch, and is inclined 57 degrees to the equator. For the first time, the Shuttle crew will be able to photograph all of South America and virtually all of Europe, not just the mainly equatorial regions seen in past Shuttle pictures. Many nations expect that these high-resolution photographs will aid map-making efforts and will open up new regions of Earth for space investigation.

For years, space scientists have complained that the cost of Space Shuttle development has taken away money from space science experiments. With this first Spacelab flight, it is clear that the Shuttle has given space scientists the opportunity to do *in situ* research, in a laboratory that will open up whole new fields of study.

The next step, while Spacelab is providing exciting new science on its short trips into space, is to start building the permanently orbiting space science facilities that will be tended by scientists and astronauts who work in a space station for months at a time. Spacelab has proven that career scientists can foray into space and working together with their colleagues on the ground, can open up new frontiers in space science.

# How Europe's food being destroyed by

by Rainer Apel

European agriculture is being threatened by the failure of the European Community's Common Agricultural Policy (CAP) to adopt an American System program of utilizing the highest level of industrial technology to expand production. A full-scale financial and political attack, on the scale of the assault on American agriculture by the world's Malthusian forces who want to cut population by cutting the food supply, is being launched against the far more vulnerable European food production system. Despite statistics that claim that Europe is self-sufficient in grain and beef production, and produces a 30 percent milk surplus, average animal protein consumption in Europe is only 50 percent that in the United States.

In addition, CAP policy maintains the remnants of a peasant agriculture system, forcing modern productive farming to subsidize tiny farms that barely survive. If U.S. agriculture, the most productive in the world, can be destroyed by Malthusian policymakers using the hoax of overproduction, the future of Europe looks grim.

The recent statement of one West German agricultural politician to *EIR* shows how widespread the monetarist policy of cutting production in the face of financial crisis is among Western European agricultural policy makers—with the exception of the farmers themselves. When told of the extent of the world food crisis and the collapse of U.S. food-producing capacity, he stated: "I don't know whether things are as dramatic as you say. But what I see is that the Americans always wanted to feed the world, at least that is what they always told everyone, and now they can't even feed their own people. . . . All of this proves that the American system does not work, while ours in Europe does. We can feed our people, and more than that. We are, as a matter of fact, producing more than we need, and that's why we must cut back."

But another political figure described a very different, and dangerous, situation. "You speak of a food crisis in the

# supply is the CAP's policies

U.S.?" he told *EIR*. "I can tell you that food supply isn't that secured in Europe either. Just imagine a major international economic collapse, which would bring down world trade. We here in Europe are highly dependent on imports of many basic food products. If we can't get them, we would have to ration food and issue food stamps within two weeks—our surplus reserves are that thin!"

The most recent figures published by the EC claim that the members of the 10-nation community are more than self-sufficient in food production. Western Europe produces 100 percent of its grain requirements, 105 percent of beef requirements, 130 percent of milk requirements, and close to 100 percent of requirements for fresh vegetables. But these very figures are being used to promote the policy of cutting both immediate production levels and future productive capacity—while the average level of nutrition in the EC nations is already considerably lower than the United States.

Most immediately threatening to the European food supply is the bankruptcy of the European Community. By the end of 1983, the CAP, which has only ensured current food production levels by heavy price subsidies to European farmers, is expected to have a deficit of about \$2 billion, and for 1984, a deficit of at least \$5 billion is estimated. The EC has already begun to cut back on subsidies by blocking \$360 million in pre-payments to food exporters in early November, in order to bridge a growing hole in the EC common budget. Continued cuts will bankrupt European farmers just as U.S. farmers are being bankrupted by the slashing of the U.S. government farm program. And, with European agriculture already significantly less productive than American, the collapse of European food production will be even more precipitous.

## The overproduction hoax

The attempt by EC bureaucrats and their fellow thinkers in numerous think tanks to lay the blame for the economic

crisis on overproduction is based on fraud. The fact that Europeans consume 50 percent less animal protein than Americans belies any claims to sufficient food production for Europe—to say nothing of the food needs of the developing sector. The entire CAP program is structured to force limits on production.

The CAP subsidizes a large number of unproductive, often tiny farms in most of the EC nations—with the costs sustained by the more productive, technologically better-equipped farming sectors. On an average, the productivity of a European farmer is one-third less than of the average U.S. farmer. The employment of manpower differs by a factor of two or more among the various European agricultural regions, and even within a country that has reached the highest productivity in dairy farming like Great Britain, there are regions of absolute poverty among farmers, with production methods that are closer to the late 14th rather than the 20th century.

The problems of European agricultural underdevelopment have been exacerbated by the CAP under the regime of EC official Sicco Mansholt, who once claimed that "non-growth is possible—you just have to believe in it." The CAP has discouraged the technological development of farming and instead enforced the maintenance of the barely self-sufficient, "small family-based farm system."

Mansholt, who lived with West German Green Party leader Petra Kelly for a considerable period, was fully aware of the consequences of his policies. "The real crisis [of the future] will be a food crisis," he stated in 1974. "Here, the situation will come to a peak within the next four to eight years. We will experience another crisis then. The automatism of prices will no longer function. No capital will flow into agricultural production any longer; this would be completely useless anyway and wouldn't pay off." Mansholt is also one of the founders of the radical-environmentalist Ecoropa organization, an even more important proponent of Malthusianism than the pro-genocide Club of Rome. Ecoropa bred many of the leading Greenies of today. The hatred of modern technology which crept into the CAP under the influence of the Mansholt Plan can probably best be shown by the following quote from a recent EC document:

"The development of new technology has led, particularly in the case of animal production, to the setting up of agricultural enterprises for which land is no longer a limiting factor. There is a risk that this development may aggravate the problems of overproduction which have been experienced in the milk sector. . . . The Commission will pursue the examination of measures to allow certain farmers to give up milk production."

## Slaughter the dairy herd

Two proposals for cutting this "overproduction of milk" are under discussion now: One says that out of the 25 million cows of the EC, 10 percent should be slaughtered, and, eventually, a premium should be paid to farmers to encourage

them to sacrifice their cows. The other proposal calls for a quota system which would pose limits to the total amount of milk bought and sold within the EC, which would be enforced by penalties on milk processors. Farmers have responded that the dairies would thus "be turned into the EC's police, and it would be a crime to produce more than the quota."

This slashing of dairy production will do more than cut low European animal protein consumption even further. Both of the proposals would collapse overall farming in Western Europe. The guaranteed price system for milk products is the best source of farm income in the EC, on which many farmers, as in the United States, are dependent as other income sources have been cut by world depression. Billions of dollars have been invested in dairy farming, but the small size of many farms has kept productivity too low to sustain their operation. Most of the farms keep less than the average 40 to 50 cows estimated as necessary to produce enough milk to yield stable net profits for the farmers. If the 10 percent cut of the herds is forced through, thousands will be forced to stop producing altogether. These proposals make clear that the Mansholt policy is to eliminate food production, not preserve the way of life of the European peasant. Most of the farmers who would be forced to stop milk production would be the same "small farmers" whom the Commission claims to support.

### **Debts cut investment**

Europe's farmers have been rendered all the more vulnerable to income cuts by their growing indebtedness after the imposition of high interest rates in October 1979. The combined effect on mortgages, interest rates on credits, and refinancing obligations for old credits has been such that investment in West German farming dropped by more than 16 percent in 1980 alone, and has not resumed pre-1979 levels since. Exact figures for debt and investment levels in France, whose farmers have been hard hit by the sharp rise of interest rates, are not available, but it is estimated that the situation there is even worse than in West Germany. When French President François Mitterrand attempted to make a goodwill tour of the provinces, he was almost lynched by enraged farmers, and escaped only under heavy security protection.

While agricultural politicians in Europe have failed to address the debt crisis, one recent phenomenon underlines the impoverishment of European agriculture. A slowly growing, but visibly increasing number of European farmers can no longer afford to buy agricultural machinery and tractors on the European markets, and have been forced to resort to machines and tractors produced in Eastern Europe or even the U.S.S.R. These tractors, far worse equipped than Western models and built for usage in the less-efficient Eastern European and Soviet farming areas, are considerably cheaper than the cheapest comparable available from Western producers.

The most important producer of agricultural machines and tractors in West Germany, the Fendt company, reports that low French far income has caused a drop in sales of tractors to this crucial traditional market in Europe. French farmers used to buy 20 percent of all the tractors exported by Fendt. Saudi Arabia, which used to take another 20 percent of Fendt's tractor exports, has bought less in 1983 due to losses in oil revenues, and the situation is similar on many other customer markets. The company's export rate has dropped from about 50 percent in 1982 to 45 percent in 1983.

Sources in West Germany are stating that one-fourth of the country's 400,000 full-time farmers could be wiped out by the measures the EC wants to impose, which will create a shock-wave of bankruptcies throughout the entire economy. Many West German producers of agricultural machinery made large investments in expectation of a guaranteed rise in the EC's food production, and West German farmers went heavily into debt to modernize their farms between November 1982 and April 1983, in expectation of the "upswing" the Bonn government claimed would occur—an "upswing" that disappeared into the accelerating world depression.

### **The world food crisis**

The European Commission, particularly since the adoption of the Mansholt Plan in 1969, is committed to food autarchy and self-sufficiency for Europe, policies whose effect is to undercut food production in the developing sector. The CAP is to a large extent a system of protective import fees imposed on all products entering European markets. Almost 50 percent of all revenues the European Commission has are based on such import taxes; the other 50 percent is based almost exclusively on a portion drawn from the value-added (surcharge) tax on all goods traded within the EC.

Europe has a policy of selected preferential agreements with one-third of the developing nations. Sixty-three such nations are bound to the EC by the ACP (African-Caribbean-Pacific) treaty—also known as Stabex (Stabilized Export Income)—which guarantees them agricultural exports to Europe at prices slightly above the average- and low-world market prices.

Ostensibly, the ACP nations are allowed to negotiate quotas of what they can sell to Europe, and in return can buy machinery at similarly guaranteed prices from Europe. But the overall effect of the ACP agreement has been to enable selected Third World nations to produce cash crops for export, not develop a high-technology based, productive farming system which could feed their own population and yield surpluses for exports. The ACP functions as an integral part of IMF-World Bank financial policy for the developing sector, by ensuring a certain calculable income for participating nations—and a base for the IMF credit policy.

The ACP system does not address the Third World debt crisis, nor of the low prices for farming in the developing nations. The man credited with authoring the Stabex system,



*"Alternative" agriculture—a Greenie turned peasant—in West Germany. The EC's promotion of such primitive agriculture is undermining Europe's ability to maintain its food supply.*

West German SPD politician Klaus von Dohnanyi, negotiated the treaty in 1975. Dohnanyi has a reputation as a fanatic adherent to the ideology of "blocism," the idea that the world economy is doomed to disintegrate into separate blocs all fighting each other for survival. This is the world outlook the New York Council on Foreign Relations cultivated in its "Project 1980s" at the same time the Stabex treaty was negotiated.

Dohnanyi, who in 1975 was assistant secretary in the Foreign Ministry in Bonn under Hans-Dietrich Genscher, a close confidant of Henry Kissinger and Helmut Sonnenfeldt, had the full backing from his superior for both the first and second five-year Stabex treaties. Genscher himself is known in Europe as supporting a continental European bloc secured by political, military, and economic-agricultural autarky. It has been rumored among officials of the European Community's bureaucracy that Genscher's energetic campaign for getting Spain and Portugal as fully integrated members into the EC is largely motivated by his plan to make these Iberian nations Europe's future producers of soybeans, making Europe independent from soybean imports from the United States.

The ACP treaty also grants member nations some protection from the EC's brutal aggression against production in the rest of the Third World. Many of the Europe's surplus products are subsidized for export to a price level below the

already low world market prices, and millions of tons of sugar, grain, and milk products are dumped onto world markets, undercutting even further any income for all those nations not part of the ACP protection system. Ironically, most of the 1 million tons of sugar thrown onto the markets has usually been previously imported from the ACP nations.

Even threshold nations such as New Zealand have complained bitterly, though with little success, about the EC's dumping practices which have ruined most of New Zealand's own share in the world milk and butter market. This brutal dumping policy—the overall effect of which has been to contribute to the ruin of many developing sector nations as markets for European industrial products, with devastating effect, is directly financed by European taxpayers. Spokesmen for such Third World nations have drawn the parallel to Britain's ruining India's well-developed, independent textile production by the end of the 18th century, which paved the way for British textiles and cotton to be forced on India—at much higher prices.

The EC bureaucrats usually point to the quarter-billion dollar food aid the Europeans are providing to the famine regions via the United Nations' aid programs, in order to emphasize the European concern about the world food crisis. This is combined with complaints that "most of these countries have never succeeded in developing their own food production . . . and food aid creates illusions that they don't have to." This is more than cynical, because the European Commission is undercutting Third World nations' attempts to build their own food supply and a viable income based on fair agricultural prices. In addition, the EC is reducing the few food reserves available for such aid programs from Europe as part of "cutting overproduction in the EC."

### **The limits of protectionism**

The EC's agriculture policy, while undercutting Third World development, cannot sustain Europe's own farmers and producers of agricultural machinery. The system of guaranteed prices for agricultural products within the EC is counterproductive within the context of "EC blocism."

The "small family-based farming" at relatively low technology-input which is the aim of the European Commission will prevent Europe from becoming a world food supplier. The present CAP system of the EC is ruining small farmers, and reducing the profits of most of the high-technology farming sectors throughout Europe, while dumping on world food markets means certain ruin for the EC itself. While Europeans are complaining that if the gaping deficits in the EC are not closed, the Community will fall to pieces, the remedy lies in restructuring the EC.

Whatever is being decided by the EC's agricultural politicians and experts within the coming few weeks and months, it means certain doom for Europe's farming, unless a reorientation of the Community's agricultural policy is put on the agenda.

## Colombia's stolen millions

*The Colombian investigation of Chase's \$13.5 million theft dodges the issue of a possible local bank conspiracy.*

**T**he Colombian government's efforts to retrieve \$13.5 million stolen from a government account in Chase Manhattan's London branch continues to run into a stone wall on the international front, but are causing an unexpected upheaval domestically.

The \$13.5 million, part of a \$47 million loan to the Colombian government for use by its defense ministry, was first transferred from Chase's London branch earlier this year, to an account in Morgan Guaranty Trust in New York, and from there to a numbered Swiss bank account, later discovered to belong to Israel's arms-trafficking Hapoalim bank, and from there dispersed in at least half a dozen transactions.

The original money transfer, allegedly authorized by a telex message originating in the Colombian central bank last April, was first discovered by government authorities in an audit in November, and, after careful investigation, was determined to have been a fraud, lacking the proper signatures and the central bank code. Blame for improper security procedures in the transfers was laid at Chase Manhattan's doorstep and the Colombian finance ministry demanded an immediate refund by Chase. Chase in response denied any laxness or impropriety on its part, and has, in effect, told the Colombian government to "go ahead and sue!"

That is where the case stands juridically.

Colombian authorities predict that

the \$13.5 million is at this point irretrievable in the face of Chase's awesome legal and financial resources, and have instead begun to focus their attention on placing the blame for the sophisticated theft at home. A congressional investigation—still ongoing—has emphasized the government's own sloppiness in monitoring its foreign credit accounts and Finance Minister Gutierrez Castro, who initially swore that the crime was committed outside Colombia, is now acknowledging that the crime involves individuals inside Colombia, as well as in London, New York and Switzerland.

In the course of the congressional investigation, it was discovered that Gutierrez Castro had personally ordered the withdrawal of the use of the central bank's special code six months prior to the Chase transfer, thereby facilitating the theft. Unable to provide adequate explanation for his action, or for the success of the "electronic theft," Gutierrez Castro has resorted to charges of international gangsterism, which have not endeared him either to his former friends in the international banking community, or to his erstwhile backers inside Colombia, who are anxious to keep open the dearly bought credit channels Gutierrez Castro himself had negotiated earlier this year.

Rumors of Gutierrez Castro's departure from the finance ministry by the end of the year have begun to circulate throughout Colombia.

During the congressional debate, several prominent senators moved to expand the scope of the case, demanding to know why government officials had expressed "unfounded optimism" not only about the recoverability of the missing millions, but also about Colombia's solid standing generally in the international financial community.

On everyone's mind is the relation of this case to Colombia's known role as a major world exporter of marijuana and cocaine: there are hundreds of millions of uncounted and untracked dollars that flow in and out of Colombia on a regular basis as part of this drug traffic. Is the Chase theft part of this?

Still another wrinkle on the case of the missing \$13.5 million is the fact that the original Chase loan of \$47 million for ministry of defense expenditures was contracted outside the allotment provided by the Colombian budget—not an uncommon practice of governments worldwide, but not often conducted in the limelight. The Chase scandal brought the practice to light, and thus has given ammunition to those who would like to rein in the Colombian military's power.

While the case of the stolen millions has served to air some dirty laundry around Colombian finances, the conduct of the investigation so far has obfuscated what is in fact the central aspect of the case: that at least three prominent international banks—and probably more—had a hand in stealing millions of dollars from Colombia, and appear prepared to use the full weight of their membership in the world financial community to cover their actions. One can only ask how many other millions, on top of foreign debt payments, are regularly siphoned out of the coffers of sovereign nations and into the vaults of overextended private banks through outright theft?



## Duque, the BNS, and Standard Brands

*Is the Colombian coffee swindler tied to drug traffickers—or to their controllers?*

The case of Alberto Duque, a Colombian coffee merchant who is under indictment in the United States in a major financial fraud case, has been attracting increasing attention since last May, when a lawsuit was initiated against him by 20 U.S. banks. However, there has been a nearly complete clampdown thus far on public accounting of Duque's far-flung links to leading U.S.-Canadian companies, as well as to other criminal cases under investigation by the U.S. government.

Duque's high-level ties to Canadian banks and corporations include connections with the Bank of Nova Scotia, the most notorious among Anglo-Canadian banks involved in drug-money laundering, as well as to corporations suspected of being leading points of control for the Nazi International.

In May, the Shawmut Bank of Boston put together a lawsuit on behalf of a group of banks seeking to reclaim over \$30 million in loans they had extended to Duque against what turned out to be non-existent coffee inventories. Other banking groups also have claims against Duque, who is being sued for a total of \$125 million.

After months of litigation, with hearings held in the United States and Colombia, on Dec. 5, *Forbes* magazine published the first public mention that Duque's financial operations might be linked to a major narcotics network.

Duque, *Forbes* reported, was a partner of New York-based currency trader Eduardo Orozco, a Colombian

arrested in November 1982 by U.S. authorities for running the largest narcotics money-laundering ring yet uncovered in the United States.

The *Forbes* citation of this point—which had been known throughout the New York financial community—lends credence to the suspicion that it was the shutdown of the Orozco money-laundering operation which had triggered the chain of events leading Duque to acquire loans on false pretenses. The Orozco arrest, moreover, occurred in the midst of a banking crisis in Colombia, a crisis which, the Duque family admits, had shut off their primary source of operating funds.

However, Duque's business associations go way beyond Orozco.

In 1977, Duque purchased a \$50 million share in a Florida bank named City National of Miami. The chairman of this bank, Donald Beazley, is an old hand from the gun-running bank, Nugan Hand.

Pursuing the Florida link: a Florida grand jury has subpoenaed bank records from the Cayman Islands branch of the Bank of Nova Scotia (BNS), one of Canada's leading offshore banks (see *EIR*, Dec. 6), in connection with cocaine funds. Barely a word about the BNS case has appeared in any leading U.S. financial press, even though the Canadian foreign ministry has publicly cited the case as an "alarming" incident, and External Affairs Minister MacEachen has sent a formal protest against the subpoena to U.S. Secretary of State Shultz.

It is thus noteworthy that Alberto

Duque's non-existent coffee inventories were sold to him through channels controlled by the Bank of Nova Scotia.

In 1982, the Duque family bought the New Orleans-based Chase & Sanborn coffee roasting and packing subsidiary of Standard Brands. The chairman of Standard Brands, F. Ross Johnson, is a longtime member of the board of directors of the Bank of Nova Scotia.

At the same time Duque was acquiring Chase & Sanborn, Standard Brands was in the process of consummating a merger with Nabisco Brands. The latter is a leading Anglo-Canadian oligarchic entity, dominated by the Moore family, which has played a leading role in shaping Anglo-Canadian intelligence operations in North and South America for more than 50 years.

It was against claimed inventories at the New Orleans plant of Chase & Sanborn that Duque acquired the \$125 million in loans for which he is now being sued. He told the lending banks, in fact, that the purpose of the loans was to "move" the Chase & Sanborn coffee.

Considering that these events occurred over the span of a few weeks during 1982, it is clear that the reason Duque was able to acquire so many loans was that none of the banks thought to question the veracity of a claim of stocks which had just belonged to an entity as prestigious as Standard Brands.

It is of no little interest to determine the character of the negotiations between Duque and the Standard Brands management up to his acquisition of the Chase & Sanborn division. The control levels of the Colombian-Florida-U.S. drug trafficking lines are outside Colombia, in the offshore banks and in Anglo-Canadian intelligence networks.

## States ask 'what recovery?'

*Unemployment and depressed retail sales add up to revenue shortfalls and a new round of tax increases.*

**T**hirty-one state legislatures took action this year to raise \$7.7 billion in new taxes, a record sum. The largest chunk of this total was derived from \$2.9 billion in personal income taxes, of which Michigan's personal income tax boost alone contributed an estimated \$1 billion.

This year's rounds of tax increases and heavy borrowing are considered by most to be "desperation measures." As local employment drops, or changes from higher-paid industrial employment to badly paid, often part-time service employment, personal income tax revenues decline. States remedy this by, among other things, increasing the rate of taxation.

And as personal spending stagnates or declines, sales tax revenues follow suit. Legislators loath to increase this rate substitute cigarette, gas, and liquor tax hikes. Eventually sales tax increases occur anyway. Eleven of the 31 states have now raised such taxes.

The largest increases in new tax levies occurred in the industrial states of Illinois, Ohio, Michigan, and New York, reflecting the failure of the economy in these locations to provide adequate revenue from existing—and already high—taxes.

As these tax increases were passed, states and municipalities also borrowed record amounts, increasingly at short term, to finance the day-to-day operations of government. If this continues at the level of the first three quarters of 1983, total state and local borrowing for the year will hit \$119.3

billion, far exceeding last year's record \$74.9 billion.

Of that \$119.3 billion in new state and local borrowing, \$38 billion will be for less than one year, according to the Municipal Finance Officers Association. Most short-term borrowing is "revenue anticipation" borrowing to tide over a state or municipal government until the next tax collection date comes around.

Perhaps the state most spectacularly in financial trouble is Michigan. Beset with unemployment estimated to be twice the "official" 12.5 percent, despite the modest revival of auto manufacturing, Michigan legislators hiked the personal income tax rate by more than one-third (from 4.6 percent to 6.35 percent) to bring in an additional \$1 billion revenues. The new rate was made retroactive to Jan. 1, 1983 so that the full billion will be taken out of pay checks before the end of this year.

To make the bullet a little softer, legislators agreed to consider a reduction *if* there is a reduction in the unemployment total and a rise in sales tax collections.

Hopes that sales taxes would rise led neighboring Ohio to a revenue debacle this year which prompted the state to enact byzantine increases and decreases. The net effect was to raise the personal income tax rate by 90 percent. According to the state's Office of Budget and Management, the 1983 sales tax revenue projections collapsed while corporate taxes slumped below 1982 levels.

"The revenues just don't reflect a recovery," declared one Ohio tax planner.

Illinois lawmakers enacted the largest aggregate revenue package: \$1.3 billion. The revenue raising, which hit the wage-earner's wallet almost exclusively, included a half percent hike in personal income taxes, a 1 percent rise in the sales tax, and a motor fuels tax escalation from 7.5 cents to 11 cents per gallon.

New York, Arkansas, and Nevada took the lead in hiking liquor, gasoline, and cigarette taxes. New York's cigarette tax went from 15 to 21 cents, alcoholic beverages taxation went up 25 percent, to which was added a 3.5 percent petroleum gross sales levy.

Arkansas's cigarette tax went up 3.5 cents a pack, and liquor taxes rose 17 percent. Even the state of Nevada was forced to substantially hike its "sin taxes" and impose a tax on hotel occupancy.

The largest general tax increase occurred in North Dakota—again, nearly all of it falling on the wage-earner. Cigarette taxes went up 6 cents a pack, gasoline taxes 5 cents a gallon, alcoholic beverage taxes 2 percent, and the state's personal and corporate income taxes took big jumps.

Despite the hefty new taxes, states and municipalities are not expected to turn to public works spending, the traditional remedy for depression-born joblessness. State and local public works spending is expected to decline next year as governments practice austerity to preserve existing services and pay debt contracted at the record high interest levels of the past three years.

Last year local government spending was a quarter less than the 1979-80 levels, which in turn was a quarter less than peak spending levels of the early 1970's.

## Kill cows and create milk shortages

*The new U.S. dairy bill threatens to permanently cut milk production, while severe shortages hit the Third World.*

**P**resident Reagan has signed into law a milk reduction program unprecedented in United States farm policy history. It should be known as the "Milk Luxury Act," because it is intended to permanently and drastically reduce U.S. milk output, which at present accounts for over 15 percent of total world production.

University of Wisconsin farm experts estimate that at least 20 percent of the dairy farms in Minnesota and Wisconsin—among the top national dairy states—will go out of operation within the next few years.

This law, signed on Nov. 29, is similar in purpose to drastic dairy reduction plans now before the European Community.

Designed like a milk "PIK" (the destructive crop reduction Payment-In-Kind program effected this year), the new U.S. law will pay farmers a set rate of about \$10.00 for every hundred pounds of milk they don't produce every month, for 15 months, compared to their recent average production. In other words, farmers will be paid to cull their herds. Slaughtering of dairy cows is already under way as this summer's drought and the PIK program have sharply increased feed costs. The new "milk luxury act" will speed the process.

An additional provision of the bill compels farmers to pay the government a levy of \$1.00 for every hundred pounds of milk they do produce, nominally to contribute to the cost of the government milk price support program. Meantime, the government support price level for milk will re-

main around \$13.10 per hundred-weight, when the actual parity price—the cost to produce the milk—is at least \$15.50.

The rationale for cutting both production and future production capacity in both the United States and in Europe (see article, p. 10)—which together now produce over 40 percent of the world's milk—is that there is a big milk "surplus" internationally. This is a lie.

Worldwide there is a devastating lack of protein in daily diets. The average American has available about 70 grams of animal protein a day, more than half of which is from dairy products. The amount in Africa is less than 10 grams a day.

Already in Mexico City, lines of people stretch around city blocks, waiting to buy scarce milk supplies. In the last six months, milk has become a luxury good, accessible only to a few fortunate babies and the wealthy. In Mexico and many other developing nations, thousands of farmers have been forced out of operation by the high interest rates, currency devaluations, and economic collapse imposed under International Monetary Fund conditionalities, which also dictate that these nations may not use scarce foreign reserves to buy milk products from the United States, or other exporters.

A small group of dairy cartel companies collaborate with the IMF to restrict world dairy trade to themselves, and to back the milk output reductions in order to create more scarcity. The prominent companies are Nestlé's,

based in Switzerland; Unilever, from northern Europe; and the old British Empire corporation, the New Zealand Dairy Board, which is the largest private milk product exporter in the world. United States milk exports are held down to a negligible level because of this cartel—with the cooperation of the State Department.

Bruce Stewart, the representative of the New Zealand Dairy Board in the United States calls the new dairy reduction law a "welcome development" and criticizes U.S. milk output as "overshadowing the world market."

To support the myth of overproduction of milk, which even dairy farmers have been demoralized enough to swallow, the media and the dairy cartel point to the "mountains" of milk products in government storage in the United States and Europe. As of this fall there were about 440 million pounds of butter, 1,011 million pounds of cheese, and 1,490 million pounds of milk powder.

But the insignificance of these supplies is made clear by looking at the extent of the current food shortage. There are fewer than two pounds of butter for every American, and less than four pounds of cheese. With large parts of the continent threatened with starvation immediately, Africa needs almost twice the U.S. milk powder mountain, just for one year's requirements.

These inventories were built up over the last few years of deepening depression when the government moved in to purchase products the unemployed public could no longer afford. Since 1979, milk consumed per person in the United States (in all forms) has steadily dropped from 535 pounds of milk equivalent per person to 526 and below. Diets are deteriorating, and infant mortality and illness increasing in many depressed areas.

# Business Briefs

## Food Supply

### EC's poultry industry criticized for efficiency

The Swiss-based research and consultants GIRA has criticized the Western European poultry industry for the productivity gains made over recent years. GIRA claims that the rapidly growing "surplus" of frozen poultry products will eventually force a reduction in exports to Third World countries as producers attempt to dump their products "at crisis prices" within the EC countries, beginning in 1985.

The European Community is the chief exporter of poultry to nations in the Middle East and North Africa. These countries absorbed 670,000 metric tons in 1981; however, GIRA predicts a decrease to 500,000 metric tons in 1990. The "impressive take-off of indigenous production which started in the late 1970s," will make these countries self sufficient, and force the EC to find other markets in a highly competitive world situation.

"The most likely outcome is that the EC exporters will have a surplus of frozen poultry growing rapidly after 1985. They will probably unload this excess . . . at crisis prices, particularly on the German market," the GIRA report stated.

## Energy

### Japan vulnerable as oil trade with Iran soars

The latest industry figures show that Japan is making a potentially dangerous shift in its oil imports. Data released at the end of November by the Petroleum Association of Japan show that imports of crude oil from Iran have soared 157 percent in the third quarter over the same period a year ago, despite the instabilities of the Iran-Iraq war.

At the same time, Japanese dependence on moderate OPEC suppliers such as Saudi

Arabia and Indonesia has dropped substantially. Saudi origin imports have dropped 24 percent while those from Indonesia have fallen more than 19 percent. Because of its increased Iranian offtake, Japan—which imports 100 percent of its needs—is dependent on the Mideast for 70 percent of its petroleum imports.

Japan's economic and strategic vulnerability is demonstrated by the fact that Iraq has sent the government repeated formal and other warnings stating bluntly that the multibillion-dollar joint Japan-Iranian petrochemical complex at the port of Bandar Khomeini would be a prime target for Iraqi bombing. The complex has been 85 percent complete since 1980. Iran has also issued repeated threats to bomb and seal the narrow Straits of Hormuz. At present more than 8 million barrels of crude flow through these straits every day to the world market, primarily Japan, Western Europe, and the United States.

By undercutting official OPEC production and pricing agreements, Iran has managed to bring its total take in oil revenues to levels equal to that of the peak achieved by the Shah's government, despite the depression in world demand.

## Defense

### Volcker allies assail U.S. budget

International financial networks are threatening to blow out the U.S. financial markets and destroy Ronald Reagan's re-election chances if the President goes ahead with a crash program for building a beam weapons defense system.

Volcker began the attacks on Nov. 21 at a monetary conference when he said that "the President . . . was wrong" to have his spokesmen complain about tight money. Only if Reagan cuts the deficit, which would mean a drastic cut in U.S. defense programs, will interest rates fall, he stated. The longer the deficits go on, "the greater the

risks on the financial markets and on the economy generally."

Lehman Brothers Kuhn Loeb chairman Peter Peterson, the head of the World Bank's Brandt Commission in the United States, is putting out the word that the U.S. financial markets will blow out if Reagan implements any large defense program. Peterson runs the bipartisan budget-cutting committee, which includes Robert McNamara, Henry Fowler, and other investment bankers with the power to control the U.S. Treasury bill market.

If Reagan goes with a big defense program "the markets will react very, very negatively," Peterson's aide stated Dec. 2. "There would be a major rise in interest rates, and it would be the end of the Reagan recovery. If Reagan makes another big defense initiative now, rates will definitely go way up. If the timing coincides with another blow up of the debt crisis, then Reagan has a contradiction on his hands."

White House chief economic adviser Martin Feldstein, who may be on his way out, announced Nov. 21 that the \$200 billion deficit has been caused by "increased defense spending." He said the deficit would be double the percent of GNP from when Reagan took office in 1980, and the entire rise in the deficit from 2.3 percent of GNP in 1980 to 4.2 percent in 1988 will be due to the defense budget, he said, virtually accusing Reagan of deceiving the public by refusing to admit he plans a big tax hike after the election.

A just-released report by Lord Harold Lever and former U.S. Treasury Secretary Robert B. Anderson threatens that unless the United States submits to IMF supranational surveillance and cuts the budget, there will be a crash.

## Ibero-America

### The Dominican Republic rejects IMF demands

Resistance to the International Monetary

Fund's conditionalities is continuing, despite Brazil's recent capitulation. Opposition has come from an unlikely source, the Dominican Republic, which Cyrus Vance and Henry Kissinger have treated as their personal playground. On Dec. 1 both the finance minister and the head of the central bank attacked the IMF for demanding "conditions inimical to the national interest." In exchange for providing some funds to the bankrupt country in 1984, the IMF is demanding a formal devaluation of the peso; tax increases; and payments for all imports except oil at the parallel market rate, meaning that 80 percent more must be paid for each dollar of imports.

Finance Minister Avinades termed the IMF conditions "unacceptable." Central bank head Bernardo Vega, in a separate statement, said that they would lead to increased prices for raw materials, medicine, and other basic imports. In mid-November the IMF negotiating team was forced to break off negotiations and return to Washington, when Dominican authorities refused to adopt these measures on the ground that they would inevitably lead to "social chaos."

On Dec. 1, Willard Butcher, chairman of Chase Manhattan, arrived in Santo Domingo to tell the Dominicans that they had nothing to worry about, since he was "cautiously optimistic" about a recovery in the United States, which would alleviate their plight.

## Trade

### West German exports go East

The third quarter import-export figures published by the West German office of federal statistics show the dimensions of the economic deals between the Soviets and the Hans-Dietrich Genscher faction of West German industrialists.

Within the context of overall decreases or at best stagnation of German exports, the sharp increases of trade with both the Soviet

Union and Khomeini's Iran are remarkable. German exports to Iran for 1983 will top the figures for 1978, the biggest year for West German exports to the Shah's Iran. Exports rose in 1983 nearly 150 percent over 1982, with machinery and machine tools, chemical, electro-technical, and trucks leading the boom.

A spokesman for the German economics ministry commented Nov. 30 that the statistics demonstrate that Iran is going back to a more pragmatic course, allowing foreign technical experts into the country again. He also stated that Iran plans to finish industrial projects which were interrupted during the first years of Khomeini's Islamic Revolution. Now, Daimler-Benz will finish a truck plant and the Siemens subsidiary KWU has been asked to finish the nuclear power plant construction started under the Shah.

West German exports to the Soviet Union show a similar rapidly growing trade relationship. Already in 1982 West German industrial exports to the U.S.S.R. jumped from DM 6.6 billion to DM 8.5 billion, and the figures for the first three quarters of 1983 have already equalled those for all of 1982.

Especially dramatic is the situation in the machine-building industry. Exports to the Soviet Union rose 51 percent in the first half of 1983 compared to the 1982 figures. A spokesman for the machine building industry in Frankfurt reached for comment by *EIR* Nov. 30 stated, with some pride that the Soviet Union is now the fifth biggest market for the West German machine building industry and is about to overtake the North American market, which includes both the United States and Canada. German exports to the Soviet Union already lead those to Italy, Austria, and Switzerland.

The spokesman called this development a real sensation. The Federal Republic has little competition in supplying East bloc countries with machines and machine tool equipment. More than 50 percent of all the machine-building companies in Germany are heavily involved in East-West trade.

There have been above average increases in exports to Russia in the chemical and high technology field, as well as synthetics, fuel, and special steel.

## Briefly

● **A GERMAN** industrialists association (BDI) delegation, led by BDI president Rodenstock, returned from a four-day visit to Thailand in late November, calling Thailand the "number one country" in the ASEAN community in terms of investment climate and growth potential. The delegation had also visited Australia, the Philippines, and Singapore. West German financial daily *Handelsblatt* reported that Rodenstock called the Pacific basin one of the most decisive poles of economic growth for the coming 20 to 30 years.

● **PRESIDENT MARCOS** announced at the end of November that the Philippines want to reschedule foreign government credits due in 8 to 10 years. The volume of those credits is not known, but it is assumed to be very high, as most of the country's \$24 billion foreign debt is in foreign government credits.

● **CARGILL CORPORATION** was permanently enjoined from acquiring the meatpacking division owned by the Land-O-Lakes farm cooperative on Dec. 1 by Federal Judge Sherman Feinsilver. The ruling states that if Cargill increased its market share of beef processing any more, it would be in a position to increase meat costs to consumers and depress prices for farmers.

● **THE USDA** announced Dec. 2 that it has 50 million fewer bushels of corn available for its emergency drought animal-feeding program than it had previously estimated. Instead of making 80 million bushels available for assistance to drought-state farmers—the amount Agriculture Secretary John Block said was available in November—they now say only about 27.7 million bushels can be made available, because the rest has gone into other programs. Earlier this fall, USDA "lost" 62 million bushels of soybeans, due to a miscalculation of the total number in storage.

## Behind the debt stretch-out: Volcker's colonial economics

by Kathy Burdman

Since Mexico announced bankruptcy in August 1982, the world has been told that an international "debt crisis" has arisen because of Ibero-American nations' profligate borrowing and spending. Recently, central bankers have reported that the debt crisis is now "under control," as Swiss-based Bank for International Settlements (BIS) president Fritz Leutwiler told the Swiss Institute for Foreign Research on Nov. 16.

But the current crisis is not a "debt crisis"; it was not caused by Mexico, Brazil, or any other Ibero-American nation; and it is far from over.

There exists a world *banking* crisis, which was deliberately created by central bankers and commercial banks, in order to introduce a "new Bretton Woods" monetary system.

This reorganization, already well under way, would take the sovereign control over credit away from nation-states, and place them under a dictatorship of central banks and private banks.

### **Anatomy of a conspiracy**

It is absolutely true that Mexico, Brazil, and the rest of Ibero-America are now bankrupt, with vast, unpayable debts. From 1980 to the present, Mexico's debt has leaped from \$60 billion to \$90 billion, Brazil's from \$60 billion to \$95 billion, and that of Ibero-America as a whole from \$200 billion to \$350 billion. Since the beginning of 1983, Mexico has been the only large debtor on the continent able even to make interest payments upon this debt.

But the debtors did not create this situation.

The fact is that beginning in the fall of 1981, a decision was made by the Swiss-based BIS, the International Monetary Fund (IMF), and the British Commonwealth Secretariat to reorganize the world banking system. First, a series of policy statements was made calling for the reorganization:

- In August, 1981, British Commonwealth Secretary Sridath Ramphal called for the formation of a "new Bretton Woods" monetary system, with a "new world central bank" to control world credit allocation.



The British Empire set up a 19th century creditors' cartel to force Egypt to pay its debts, as bankers are doing in Ibero-America today. When the British plan failed, the Royal Navy moved in. Shown here are the ruins of Alexandria after naval bombardment in 1881.

- In September 1981, the quondam BIS president, Jelle Zijlstra, speaking at the 1981 IMF annual meeting, called for a "new Bretton Woods" currency system to give the BIS central banks "surveillance" control over nations.

- In March 1982, BIS president Fritz Leutwiler in a Mainz speech called for the formation of a creditors' cartel, an "ad hoc body" to "tighten lending."

- In June 1982, Britain's Lord Harold Lever called for the creation of a "new international bank" which would "put a stop to too much international lending."

No sooner was the reorganization proposed than a formal creditors' cartel was set up to conduct the bankruptcy proceedings on the existing system. On May 13-15, 1982 the *Ditchley Group* was formed at Ditchley Park in London. Members included over 36 international commercial banks, along with the senior officials of the BIS, IMF, Bank of England, and U.S. Federal Reserve. BIS managing director Alexandre Lamfalussy and IMF managing director Jacques de Larosière attended the founding meeting.

No sooner was the cartel formed than nations of Ibero-America were deliberately bankrupted, as a matter of policy. They did not go bankrupt; in fact, Argentina and Mexico "were perfectly viable debtors," as one IMF official put it at the time. "But the banks have made a decision," he said, "to cut off credit against every nation, *bankrupt or viable*, until they come to the IMF" and submit to the Fund's conditionalities.

For no commercial reason whatsoever, lending to Ibero-America, which had been rising at \$8 billion a quarter up to the second quarter of 1982, collapsed to \$2.7 billion in the

third quarter, right after Ditchley was founded. Lending to the Third World in general, which had been rising at a rate of \$13 billion in the second quarter of 1982, came to a sharp halt and fell to \$3.8 billion in the third quarter.

Britain's April 1982 shooting war against Argentina over the Malvinas was used as an excuse; it was said Ibero-America was termed a "political risk." The fact is that the creditors pulled the plug.

The premeditated credit cutoff in turn generated another series of measures which forced the debtors further into bankruptcy. During the Malvinas war, as credits were cut to Mexico, for example, speculation was mounted against the Mexican peso, triggering an exponential rise in Mexican capital flight and the collapse of the peso in June. The Argentine peso received the same treatment. In Brazil, capital flight was so intense that reserves collapsed during the third quarter of 1982. (See **Figures 1 and 2.**)

As foreign credits were cut and currencies' purchasing power abroad collapsed, Ibero-American trade went into the barrel. Mexico, which needs imports to industrialize, went from a trade deficit into a massive trade surplus during the third quarter of 1982, as the IMF insisted that its imports be cut by \$8 billion during 1982. Instead of importing capital, Mexico shipped not only oil but capital abroad. By August, 1982, Mexico was formally bankrupt.

### **New Bretton Woods: old British imperialism**

Once the "debt crisis" was forced upon the debtors in the third quarter of 1982, the fourth quarter saw over a dozen proposals for restructuring of world banking. All these

schemes were presented as “debt relief” for the Third World, in which the creditors offered a debt “stretch-out”—a reduction in annual payments of principal and interest, to help out the debtor and overcome the crisis.

The catch was that each plan would establish a 19th-century style British imperial system of looting of the debtor’s economy. In return for the stretch-out, the debtor had to turn over “equity” or other rights to garner revenue from its national income—surrendering national sovereignty to a private banking cartel.

The plans were of two types. Some proposed a medium-term stretch-out of the portions of debt coming due this year, which obviously could not be paid. Bank of Italy director Giovanni Magnifico proposed in December 1982 that “a portion of the short-term debt” be stretched out by the World Bank over 10 to 12 years. U.S. National Security Council official Norman Bailey proposed in March 1983 that current annual debt payments, 18-20 percent of total debt, be stretched over three to eight years.

Plans such as Bailey’s to reduce the annual debt payments to a “prudent level,” call for an “Exchange Participation Note” (EPN) to be directly issued by the central banks of debtor nations to private bank creditors in exchange for existing unpayable debt IOUs. The payments on EPNs would be “stretched” relative to the old debt payment schedules.

In return, however, the banks would be given “equity” ownership of the national income of the debtor nation. The EPN would be paid by sequestering revenue, upon which EPN-holding creditors would have first lien, from the export and other foreign earnings of the debtor. The creditors would form “collection committees” for each debtor country and take over its finances completely.

A more extensive set of plans was proposed in December 1982 by British Commonwealth spokesmen such as former British Labour Party cabinet official Lord Harold Lever, in February 1983 by his protégé Felix Rohatyn of Lazard Frères, and in April 1983 by Greek central bank governor Minos Zoambanakis. They called for the entire \$300 billion in short-term debt payments due from the Third World, or about 40 percent of the entire Third World debt of \$700 billion over the next year, to be “stretched out.” Zoambanakis wanted to keep the stretch-out at medium term, over 13 to 25 years; Lever and Rohatyn proposed to extend it over 25 to 30 years.

This second group of proposals envisioned a “new international institution” to buy out large amounts of the debt and centralize the stretch-out over a full 30 years. Such a “New Bretton Woods” agreement would give the underdeveloped countries more voting rights than the old 1944 Bretton Woods IMF-based system, promoting the illusion that they were “democratically” participating in “equal sacrifice” for all. Debtors would supposedly accept the very policies by means of “global consensus” which they would reject were such

imposed on them.

The new institution would also restructure debt through a *debt exchange*. The new institution would place its own long-term bonds with the private banks and take on their holdings of LDC short-term debt. Such a world central bank could dictate economic policy to debtors for the next 30 years, through its control over negotiations on the debt. The new bank would become the creditors’ collection agency; it would attempt, not to collect all the debt, but to manage the economies of the debtors.

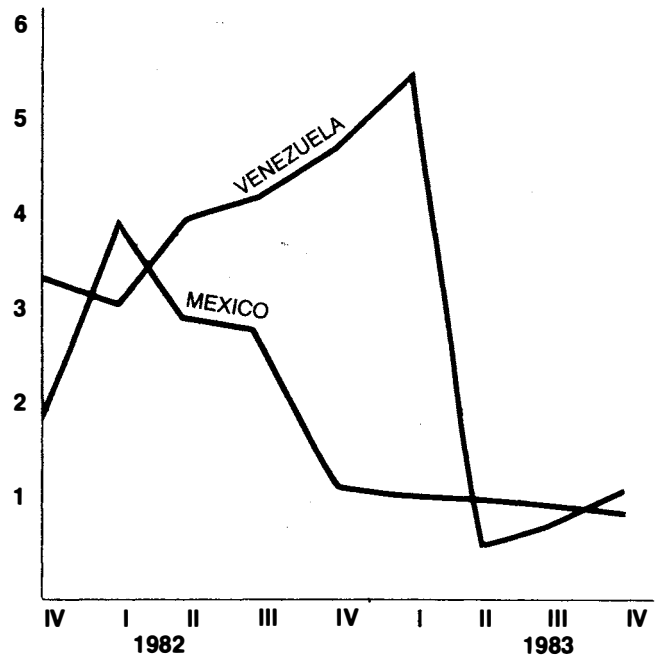
### Already in effect

In fact, even as the plans were proposed, the restructuring had already begun.

What has been accomplished is the kind of looting program described for the hypothetical country of Modelia by Norman Bailey in his March 1983 article in *Georgetown Review*. Modelia, with a \$40 billion foreign debt, had a 1983 debt service bill (combined principal and interest) of \$7 billion. Under a tough IMF conditionality program which forced imports well below exports, Modelia was running a \$10 billion trade surplus. Modelia’s \$7 billion 1983 bill was stretched out over three years, and the \$2.3 billion annual payments were attached.

Since the creditors’ cartel cut off loans to Ibero-America

**Figure 1**  
**Capital flight**  
billions of dollars





in the third quarter of 1982, every debtor there has undergone that sort of "stretch-out." In March 1983, for example, Mexico received a "stretch-out" of its 1982 and 1983 principal, a sum of \$19.5 billion, over nine years to 1992. In February 1983 and November 1983, Brazil was granted a stretch-out of its \$16.8 billion debt service for 1982 and 1983 over the same nine-year period.

In fact, every country in Ibero-America has had its 1982 and 1983 debt payments stretched out, over an average term of eight to nine years, for a total of 25 percent of the countries' combined \$300 billion debt, as follows:

|           |                |
|-----------|----------------|
| Mexico    | \$19.5 billion |
| Brazil    | 16.8           |
| Argentina | 12.0           |
| Venezuela | 18.4           |
| Chile     | 4.7            |
| Peru      | 1.4            |
| Ecuador   | 2.8            |
| Total:    | \$76 billion   |

And yet, the stretch-out plans having been implemented, the countries are worse off than before. Their total debt continues to climb. The more than \$200 billion in debt which comes due once again in 1984 is being used, as one Brazilian diplomat put it, "to keep the water level rising to just below our noses."

Above all, the countries have begun to relinquish their national sovereignty. They have been forced, in exchange for the stretch-out, to grant the creditors' committees control over the revenues of their countries.

### The 1984 plan

The next step in the plan for an imperial world banking system will be to expand the International Monetary Fund, which is run by the BIS central banks, into an actual world central bank which will directly control the economies, currencies, and debt of both debtor and creditor nations, including the United States.

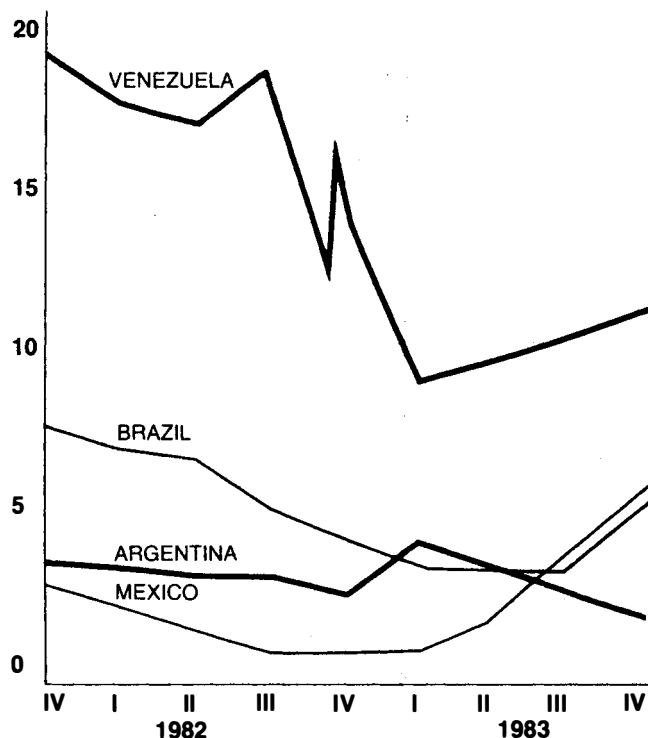
Set for next year is a conference of the Group of 10 finance ministers to discuss the new Bretton Woods currency system put forward by then-BIS chief Jelle Zijlstra. Zijlstra proposed that the IMF oversee a currency system of "fixed but adjustable rates of exchange" to control the rate at which the United States and other OECD nations can create credit. He proposed to peg the dollar to gold, not to reduce inflation, but to force contraction of dollar credit.

In order to keep currencies in line, he proposed that the United States, as well as the Third World, surrender its sovereignty to the IMF, by giving it "surveillance" over nations' domestic credit, control over all budget deficits and wage and price policies.

As part of the "equity" plans already implemented to

**Figure 2  
Reserves**

billions of dollars



"stretch out" debt in Mexico, Argentina, and Brazil, prototype currency programs for the new Bretton Woods have already been introduced. Under a current IMF plan, parts of Brazil's foreign dollar debt are being denominated in Brazilian cruzeiros and held as "blocked accounts" owned by the creditors at the Brazilian central bank (see article, page 26). By the end of 1984, this debt could build up into 6 to 10 trillion Brazilian cruzeiros—and the banks plan to demand that Brazil allow them to buy up Brazilian assets with the accounts.

The IMF is planning to establish a \$12 billion SDR "Interest Guarantee Fund" to guarantee these cruzeiro accounts, that is, to guarantee an IMF-mandated cruzeiro/dollar exchange rate.

Simultaneously going into place is a plan by BIS circles for internationalizing the dollar. The Brazilian cruzeiro, Argentine peso, and other currencies are becoming so devalued in the eyes of their citizens that U.S. dollars have begun to circulate as the currency of daily exchange in these countries. This inflates and devalues the dollar in global terms. Thus all currencies are being undermined and inflated by the debt payments process. This opens the way for Zijlstra's deflationary currency reorganization by the BIS central banks.

# The historical model for the IMF's debt reorganization policy

by Richard Freeman

Since the 1815 Congress of Vienna divided the world up into satrapies of the leading powers of Europe, world debt management has been run on the same colonialist principles: Load a country up with debt, form a creditors' cartel which makes the non-payment of debt the issue to crack a country politically, make it surrender its sovereign right to regulate its credit and finances, and then force it to slash population and industrial and agricultural growth.

Every week a spokesman for the Ditchley Group creditors' cartel or the International Monetary Fund announces yet another "new" plan to reorganize the world's debt and make it more liquid. These "new" schemes are a fraud on two counts: Not only are they as old as the Congress of Vienna, but their real object is to wield the debt as a weapon to gain political concessions and to destroy the nation state.

The colonialist principles worked out at the Congress of Vienna are most apparent during two periods: that from 1874-76 until the commencement of World War I, and that extending from the 1919 post-war Treaty of Versailles until the U.S. stockmarket crash of 1929 and the failure of the Austrian Kreditanstalt in 1931 obliterated the remains of the world monetary system.

The period from 1874-76 to the outbreak of World War I is most often described in history texts as a time in which four Great Powers—France, Great Britain, Germany, and Russia—ruled most of the world through shifting alliances and "spheres of influence." But a real understanding of the period proceeds from the standpoint that the Great Powers game is mostly a chimera, the inter-Power rivalries mostly charade. Standing behind the four Great Powers were the leading banks and insurance companies of each country. Further off-stage, but controlling real power, were the old oligarchical families of Europe and their concentrations of pooled funds—the *fondi*. The *fondi* sought to enmire the rest of the world in debt and achieve the fragmentation of the two rotting empires of the time—the Ottoman and Austro-Hun-

garian empires. The rivalries of the Great Powers often facilitated this break-up, orchestrated by the *fondi*.

The British and Swiss control centers for the *fondi* reorganized the world financial system. Turkey's repudiation of its debt in 1876 created the opening for the reorganization of the Ottoman Empire; a similar process went on in the Austro-Hungarian Empire. The British succeeded in enforcing a strict contractionary gold standard on the world, drawing the wealth of the United States and Germany, in particular, into the service of stabilizing the overextended and world reserve currency, the pound sterling.

## The looting system

The case of Egypt demonstrates how the *fondi* extended credit to a country just long enough to seal it into the vicious cycle of servicing the debt. Nominally a province of the Turkish Empire, Egypt was granted the right to borrow on its own account in 1841. The country borrowed liberally to construct the Suez Canal, which, however, was never allowed to be under Egyptian sovereignty. The Khedive (ruler) of Egypt had inherited a debt in 1863, related to the construction of the canal, of 367 million francs. The imperial banks of Britain and France helped Egypt load up with more debt, so that by 1879 the debt had risen to 1,712 million francs.

Most of the loans that Egypt received were pre-discounted; that is, Egypt did not get the full value of the loan, but usually only three-quarters, two-thirds, or less. The rest was raked off as bank commissions, fees, and counter-balances. This was a universal practice of the lending of the period.

The banks allowed Egypt to borrow until no new sources of revenue could be found. In 1875, despite collection of taxes in advance and selling off of government shares in the Suez Canal, Egypt could find no new income to guarantee the debt. The creditors then demanded from Egypt in 1876 the establishment of a creditors' cartel—just like that formed to handle Brazil's, Mexico's and Argentina's debt today.

Called the Caisse de la Dette, the cartel demanded and received a long list of revenues to be assigned as security for the loans: the as-yet-unattached provincial government taxes, the local customs duties of Cairo and Alexandria, the foreign customs of main Egyptian ports, the salt and tobacco taxes, among others. But this was only the start. Other Egyptian assets were attached and placed under international creditors' cartel commissions: the Caisse, the Controllers, the Daira-Sanieh Administration, and the Railway and Port Commission.

In 1880 the powers of the Caisse were extended; it was made into an international body in law and its subordinates were declared exempt from the authority of the Egyptian government. In 1881 the British fomented riots and revolution in Egypt, a new ruler came to power who repudiated Egypt's debts, and the banks responded by having the British government attack and eventually conquer Egypt.

Another case study is Serbia, where the bankers set up a "blocked account" for debt payment—the model for that being put into place in 1983 in Ibero-America by the New York and California banks. Serbia was born as an independent state as a result of the 1878 Treaty of Berlin which partly broke up the Austro-Hungarian Empire. From the standpoint of the banks, a new country is a new juridical entity which can be loaded up with debts. In 1893, Serbia was forced to cede its tobacco monopoly to the Austrian Wiener Bankverein. By 1895 Serbia was 350 million francs in debt. When Serbia exhibited inability to pay the debt, the banks set up a Monopolies Administration, which assigned sources of revenue which were pledged to meet the service of a new debt reorganization loan. A special fund—a "blocked account"—was set up into which revenues would flow earmarked only for debt-service payment. Did Serbia's surrender of its sovereignty stabilize or reduce the debt? On the contrary, it nearly tripled from 350 million francs in 1895 to 903 million in 1914, with the yearly debt service tripling also.

In Romania, after a debt was contracted, the German banks, primarily Diskonto-Gesellschaft and Bleichröder, used it to obtain partial or total ownership of the following Romanian companies: the tobacco monopoly, petroleum, lumber, textiles, locomotives, and electrical equipment production. Similar methods were used in Greece, Turkey, Bulgaria, Persia, Morocco, and other countries.

### **Central banks ran post-Versailles Europe**

During the 1920s, it was central banks, not governments, that ruled the world—according to the provisions of the 1919 Treaty of Versailles. Germany, though perhaps the primary target of the Versailles debt negotiations, was not the only one; ultimately all of Europe was to be brought under central bank control.

Versailles established a complex web of inter-indebtedness. Britain, France, Belgium, Serbia, Yugoslavia, Italy, and other "allied" Powers owed the United States \$9.5 billion

at the war's end for loans the United States had extended to them during World War I. Other European countries owed either Britain or France. Germany, the loser of World War I, owed the European allied powers, principally France and Britain, between \$25 and \$40 billion in war reparations.

When in 1921 Britain placed a 26 percent import tax on German goods, this extinguished the last glimmer of hope that Germany would be able to pay its war reparations, and that these funds could be re-exported by the debtors to the United States to pay off their own war debts. Once Hjalmar Schacht was installed as head of the Reichsbank in 1924, as part of the international bankers' Dawes Plan for German debt reorganization, Germany's fate was sealed.

From 1919 on, world finance was run by central bankers Montagu Norman of the Bank of England and Benjamin Strong of the U.S. Federal Reserve Board. Isolationist sentiment in the United States prevented the federal government from entering into any "entangling alliances," leaving the Federal Reserve to implement foreign policy. Norman and Strong used the Financial Committee of the League of Nations—of which the United States was not a member—as their own private creditors' cartel. Based in Geneva, Switzerland, the Committee had such power that no government could get a loan without its approval.

Norman and Strong flatly refused to deal with national governments, only with central banks—thereby raising the central bank to the status of supreme power. This same rule is being applied today by Federal Reserve chairman Paul Volcker and Bank for International Settlements Chairman Fritz Leutwiler.

Strong and Norman had a standard prescription which they imposed on every European country. Step one was to balance the government budget and end deficit spending. Then the banks would fund most of the government's floating debt. Step three was to adopt a noninflationary monetary policy. Finally, the government had to assure the independence of the central bank and a "reasonable degree" of continuity in its management, to prevent the resumption of "inappropriate monetary policies."

The power of the central banker-run creditors' committee can be seen from the case of fascist Italy. In September 1926 dictator Benito Mussolini delivered a demagogic speech vowing to defend the lira from forced upvaluation. "I will fight for the lira with my last drop of breath and to my last drop of blood," he said. "Upon this wonderful people of Italy that for the last four years has been toiling in self-denial and is ready for further sacrifices, I will not inflict the moral humiliation and the economic calamity of the bankruptcy of the lira." But after Norman and Strong had met with Italian Finance Minister Volpi and outlined the terms Italy would have to meet to get a new loan, Volpi announced a reduction of Italian prices by a third, wage reductions, and the upvaluation of the lira by a whopping 67 percent—Mussolini's protestations notwithstanding. Then Italy got its loan.

Poland was held hostage by the banks at the end of World War I for a measly \$25 million loan to get the war-ravaged economy back on its feet. Poland had four different depreciated currencies in different zones of the country—German marks, Austro-Hungarian kronen, Russian rubles, and German-Polish marks. Norman and Strong created a new currency, the zloty. But they held up the loan *until 1927*, when the Polish government finally agreed 1) to renounce the right to issue any paper currency, entrusting that instead to the central bank, 2) to run budget surpluses, 3) to restrict part of the loan “to increase the capital of the Bank of Poland,” and 4) to accept a foreign adviser on the board of the Bank of Poland. Poland complied, surrendering its sovereignty.

Romania was forced to agree to pay off tens of millions of dollars of prewar debts before Norman and Strong would allow it to tap the international credit markets.

In 1924 Norman and Strong decided to put heavily-indebted Europe under the discipline of a contractionary gold system. Britain joined the gold standard in 1925—after shutting down a section of its industry—and other European and eastern European countries were forced to join the gold standard before they could get new loans. The contractionary gold standard within a Europe bloated by escalating levels of interindebtedness was the perfect recipe for disaster, which hit fully with the 1931 Kreditanstalt collapse.

The same deflationary recipe is being demanded again today to solve Ibero-America’s debt problems.

### **The *fondi* vs. the United States**

Since 1876 the *fondi* have used the U.S. dollar as the instrument to bail out the world monetary system. Never during this time has the dollar been under the sovereign control of the U.S. government, nor has it been used, as it should be, to finance world trade and industry.

Starting with the Specie Resumption Act of 1875, the U.S. currency was placed on a gold standard and made a junior partner to the pound sterling—an arrangement which allowed the pound to attach the dollar’s wealth. In 1913 the U.S. Federal Reserve was created for the express purpose of financing Britain’s role in World War I.

At the Versailles peace conference, the dollar was internationalized. New York became in 1924 the chief lending market for world debt management.

After World War II the dollar was made the international debt currency, and a huge mass of claims arose against it, now totaling \$1.7 trillion on the Eurodollar market—threatening the dollar with bankruptcy if the system collapses. In November of this year, the dollar once again was called upon to bail out the *fondi*: the U.S. Congress was blackmailed into allocating an \$8.4 billion bail-out to one of the chief instruments of the *fondi*’s creditors’ cartel, the International Monetary Fund. Now the *fondi* plan to bring down the overextended and overexposed world dollar system and the United States with the same surgical precision they used to topple the Ottoman and Austro-Hungarian Empires 100 years ago.

## **Banks defy sovereignty,**

by Christian Curtis

“They may *think* they can take over our assets,” a senior executive in a Brazilian state firm said angrily when told by *EIR* of the objectives of the bankers’ cartel. “But they’re crazy if they think they can get away with it.”

The banks, however, are getting away with it. The scheme is being sold under the rubric of “debt relief.”

Within the past 16 months, Ibero-America has been transformed from a region of immense development promise into a group of economies with the profiles of classical colonies. These nations have become record net exporters. Their revenues are funneled entirely to the world financial centers. Their currencies have been devalued by up to 2,000 percent, which has made imports practically prohibited and has turned their governments from sovereign economic powers into mere administrators for foreign interests. Simultaneously, these governments have signed away sovereignty through contracts that grant foreign banks access to state sector assets, submit their citizens to the jurisdiction of foreign courts, and allow creditors to buy up national resources at ever-cheaper prices.

At the same time, contrary to those Ibero-American leaders who think they are “getting by,” the debt bill continues to grow through refinancings, and no principal is being retired. Beginning roughly in the first quarter of this year, even interest payments were falling into arrears (see **Figure 1**).

Ibero-America is ripe for colonialist looting. It will be relatively easy for the creditors to compel the Ibero-Americans to surrender equity—mineral deposits, land, tax liens, utilities, plant, and equipment—in exchange for “generous” concessions on terms and interest rates.

Almost every debtor had its late 1982-83 principal payments rescheduled—either formally or de facto through moratoria and rollovers—usually over eight or nine years. Is this relief? Quite the contrary. The patterns of trade and currency devaluations shown in the accompanying graphs explain the real cost Ibero-America is paying to have its debt “stretched out.”

The crucial point is not the absolute amount of debt falling due over a given period, or even the rate of interest. Rather it is *how much of a debtor’s earnings are devoted to servicing*

# grab debtors' assets

*the debt.* The size of the debt is irrelevant.

Compare the trade patterns in **Figure 2** for 1981 and 1983. Before debt restructuring ("relief") began toward the end of 1982, Mexico, for example, ran a trade deficit. Yet the terms of its debt were supposedly worse, with some \$20 billion falling due between August 1982 and August 1983. After "relief" Mexico, with its debt stretched out nicely over eight years, shows a record trade surplus of close to \$14 billion.

What is wrong? Before "relief" Mexico got enough credit to cover its trade deficit, i.e., it could still import crucial capital goods for development projects. After "relief" essentially every dollar earned from the trade surplus—which is based almost exclusively on the gutting of imports—has been devoted to meeting annual interest payments, around \$12 billion in 1983.

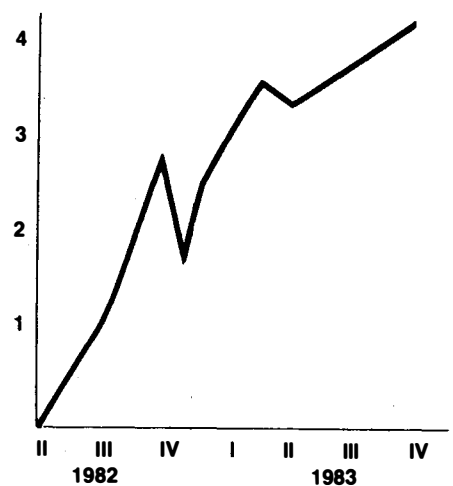
The same pattern occurs in almost every case. In 1981 the Ibero-American debtors were all either net importers or ran small export surpluses, and were borrowing heavily to finance deficits. Credit was cut off by September 1982. In 1983 every one of the four largest debtors is running record export surpluses. In every case the surplus is generated as imports collapse faster than exports. With the absence of new loans, the entire surplus, some \$27 billion, fails to cover the \$31.5 billion in 1983 interest charges.

But the situation is even worse than this. **Figure 3** shows what has happened to the currencies of the four largest debtors. In every case the curve indicating devaluation changes its exponential growth pattern beginning approximately in the third quarter of 1982. The creditors forced the destruction of every major Ibero-American currency almost simultaneously—either formally (by outright IMF demand) or informally (through well-timed runs against key Ibero-American currencies by the financial cartel).

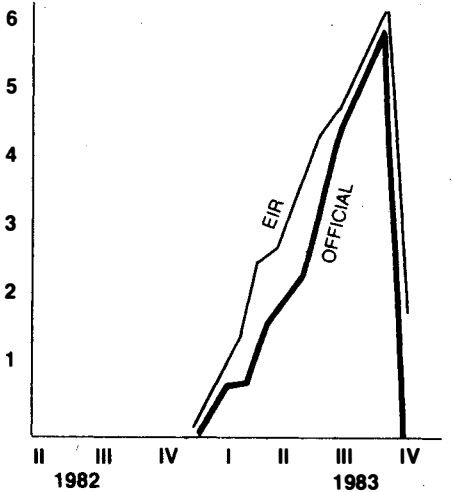
This had two disastrous consequences. First, the Ibero-American debtors were forced to become huge net exporters. Imported commodities denominated in dollars became prohibitively expensive, and locally made items became dirt cheap to foreign buyers. Second, the Ibero-American gov-

**Figure 1**  
**Arrears**  
billions of dollars

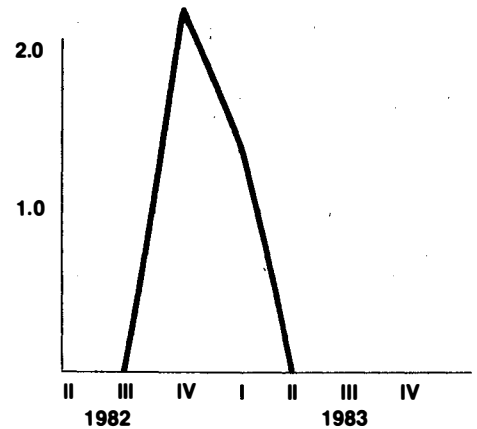
**Argentina**



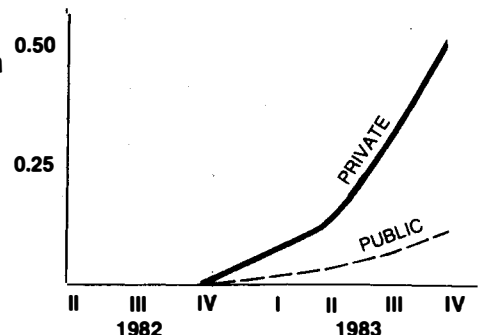
**Brazil**



**Mexico**  
(interest only)

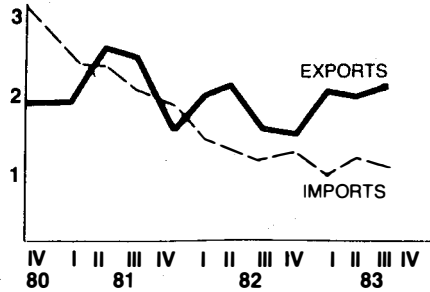


**Venezuela**  
(interest only)

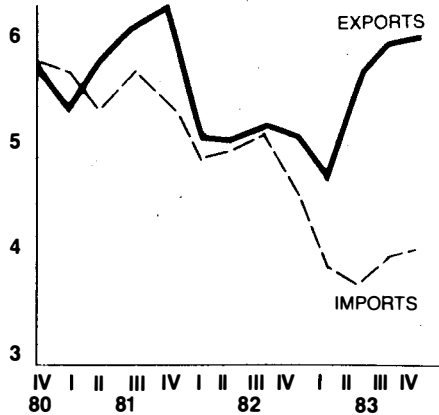


**Figure 2**  
**Trade**  
billions of dollars

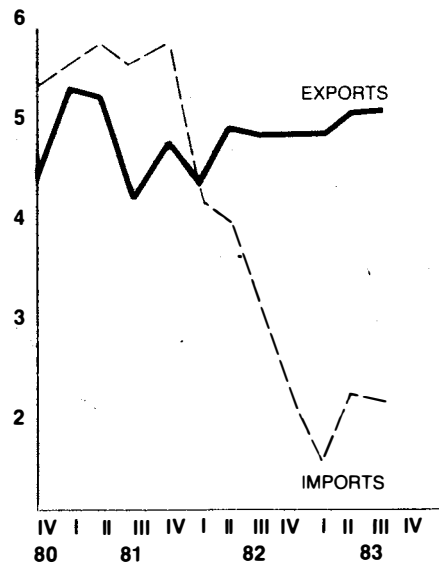
**Argentina**



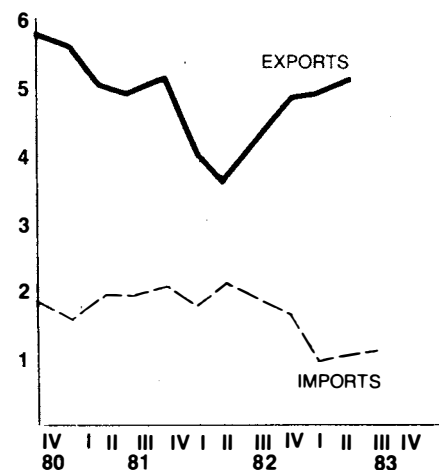
**Brazil**



**Mexico**



**Venezuela**



ernments lost sovereign control over their currencies, and with it, control over their domestic credit and assets. The assets the creditors eventually want to seize are becoming cheaper by the day, and the debtors are being left increasingly unable to prevent it.

Meanwhile, notice that in **Figure 4**, new loans going into Ibero-America plunge by more than 80 percent during the last two quarters of 1982. In sum, between 1981 and 1983 Mexico's credit was cut off, its ability to import was demolished, and almost 100 percent of its revenues is now devoted to interest payments.

**The 'equity' schemes**

The basic idea behind all "equity" plans is simple: the debt is exchanged for some form of ownership in the debtor nation. Direct equity seizure is simplest. It does not require creation of "new institutions," nor the involvement of creditor governments. The debtor and creditor simply agree to reorganize their paper. Bank creditors would agree to exchange the short-term debt IOUs of a given Third World country for "equity" ownership of the debtor nation's *general national revenues*.

This version was proposed by U.S. National Security Council chief international economist Norman Bailey, who called for the creation of an equity instrument, the Exchange Participation Note (EPN), in January 1983 (see article, page 20). Later, at monetary conferences in Vail, Colorado and in Geneva, Switzerland, Henry Kissinger, along with his economics adviser Alan Greenspan, made parallel proposals for "equity ownership" of Third World assets.

Under a second kind of equity plan, creditors would demand that the debtor change its laws on foreign investment, and allow creditors to convert the IOUs of Third World state corporations and private corporations into *direct equity ownership of those companies* by foreign private investors.

"The laws in Latin America on foreign investment must be changed, and that is a problem of national sovereignty," said an adviser to Kissinger at the Council of the Americas.

**'Blocked currency'**

A more subtle variant of the direct equity seizure is the "blocked currency" plan. The scheme is being masterminded by Bank of America and Security Pacific bank, the bank of the Aspen Institute. These banks argue that half of Brazil's debt should be converted into cruzeiros, the national currency. Interest would still be paid on the cruzeiro portion of the debt, but into a blocked account at the Brazilian central bank.

There is a hitch, from the American side. Under U.S. law, interest paid in a foreign account in a foreign currency is not a legitimate performing asset. To remedy this problem, U.S. Federal Reserve Chairman Paul Volcker is calling for an IMF "interest-rate subsidy fund" to insure the blocked currency accounts. This ultimately means that the U.S. government will have to pick up the tab for the entire scheme should anything go wrong.

The banks would be amassing huge amounts of Brazilian domestic currency. By the end of 1984, foreign banks could be holding anywhere from 6 to 10 trillion cruzeiros, enough to buy up quite a bit of Brazilian assets. Furthermore, each time the cruzeiro is devalued under IMF pressure, which is very frequently, billions more cruzeiros would have to go into the "blocked accounts" to make up for their loss in value.

"Once these accounts exist, the pressure will be unstoppable from the banks for the Brazilians to change their current strict laws against foreign ownership of Brazilian companies," a consultant to Bankers Trust confided. "We will be converting our Brazilian debt into equity in the Brazilian economy."

This is precisely why Citibank, for example, has been pressuring the Brazilian government to alter local banking laws and allow foreign banks to operate inside Brazil with cruzeiro accounts.

### Test cases

The attack on juridical sovereignty has already begun, in order to pave the way for asset seizures.

In Argentina, the government fought for the better part of 1983 against creditor pressure to change Article 4 of the bankruptcy code, which gave domestic creditors legal preference over foreign debt holders. In October the government finally signed the refinancing arrangement for the debt of Aerolineas Argentinas. A crucial clause in the contract essentially abolished Article 4 and granted foreign creditors, through a "cross default" provision, access to the assets of other state enterprises—the state oil monopoly, YPF, for example—in the event of an Aerolineas default.

In the Mexican case, there have been two proposals floated that would hand over Mexico's huge oil deposits to foreign banks. Long-time Moscow ally Armand Hammer of Occidental Petroleum wants Pemex, the Mexican oil monopoly, to put up its oil as collateral for all future lending and refinancing. An even more drastic version of this idea was printed in the *Wall Street Journal* last month. This plan would simply deposit Mexican oil in the U.S. strategic reserve before any default proceedings arose, and Mexico would be required to pay its debt directly in barrels of oil. A similar scheme for Venezuela has been drafted by Morgan Guaranty's London branch.

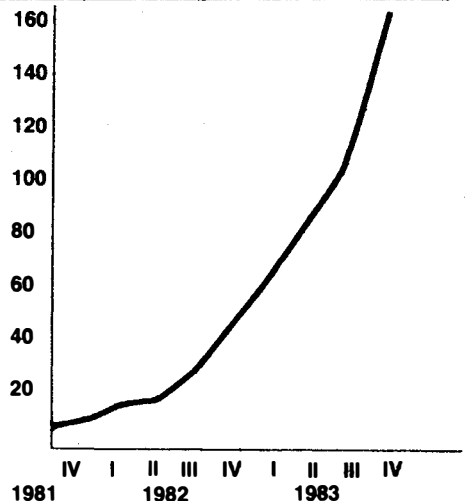
Brazil has already violated its own constitution to satisfy creditor demands that it surrender sovereignty. A clause in the so-called Project 2 contract signed in February of this year submits the Banco do Brasil to the jurisdiction of New York and London courts in the event of default. The guarantor of the agreement is the Central Bank, an entity of the central government, which, according to Brazilian constitutional law, cannot submit to foreign jurisdiction.

In Peru, as a result of a program administered by Wells Fargo and the World Bank, over 150 state entities have already been sold to private interests as a first step toward turning sovereign assets over to the creditors.

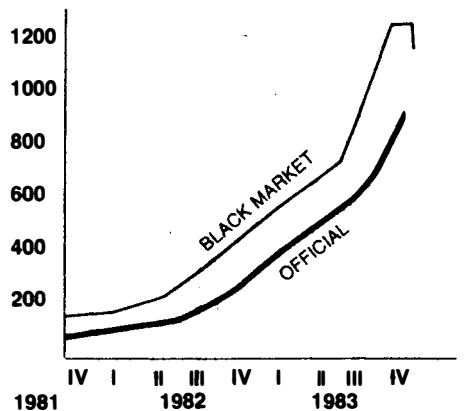
**Figure 3**  
**Currency devaluation**

currency units per dollar

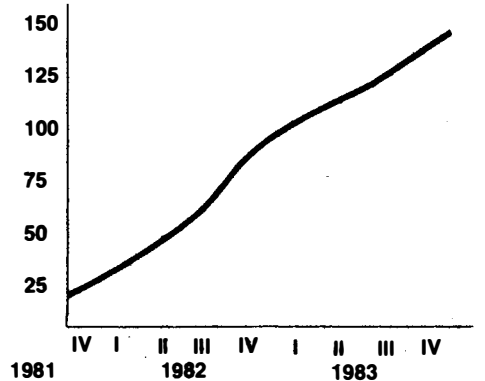
**Argentina**  
(official)



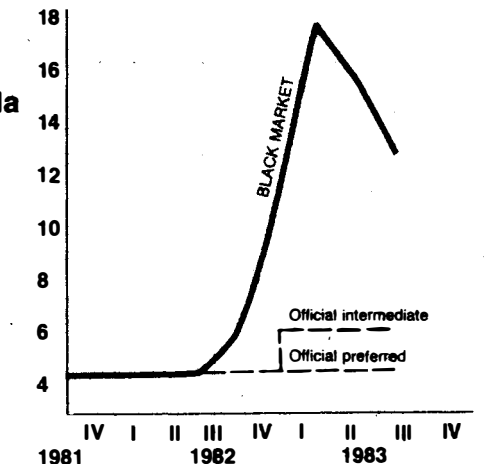
**Brazil**



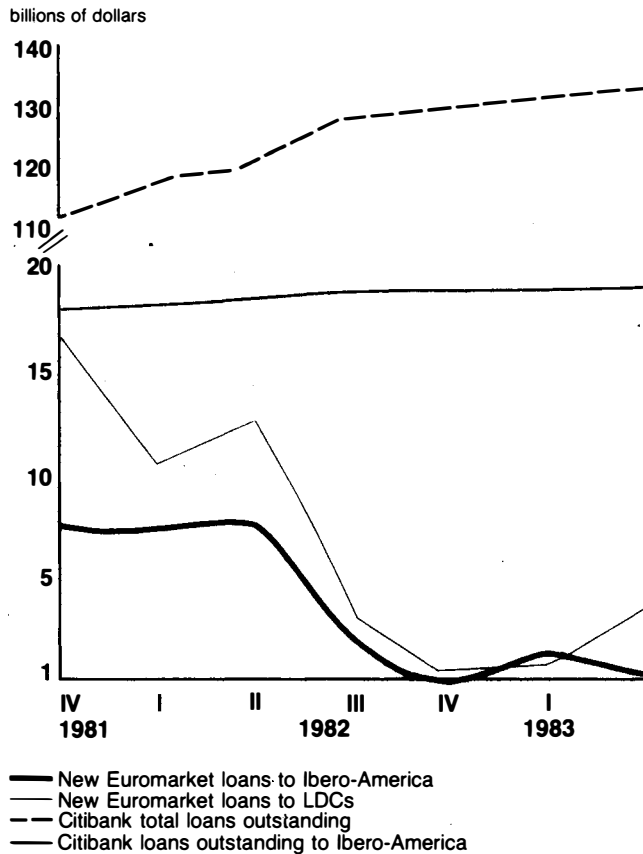
**Mexico**  
(official)



**Venezuela**



**Figure 4**  
**The collapse of lending to the Third World**



## Fed tries coverup of banks' bad loans

The deliberate financial upheaval of the last two years orchestrated by the creditors' conspiracy has bankrupted not only the debtors, but the banks of the creditor countries as well. American banks have been used the way Nazi Economics Minister Hjalmar Schacht used the German central bank: as shells used to loot the debtors' economies.

One bank analyst estimates that U.S. banks now hold at least \$100 billion in Ibero-American loans. Asked privately how much of that is non-performing at the moment, he replied: "all of it." The top 18 banks in the country hold about \$70 billion of that bad debt, he added.

These "non-performing loans" are in excess of the total capital of these banks—a flagrant violation of U.S. law and a fraud against the banks' capital holders. The regulatory agencies of the U.S. government know it, and are covering it up. In September Federal Reserve Chairman Paul Volcker permitted a 90-day "stretch-out" of loans to Ibero-America. But that grace period expires in December, threatening to bring the crisis to a head again. Obliging, the Federal Accounting Standards Bureau intervened to legalize the

Fed's action, by allowing banks to keep bad assets on the books.

The Controller of the Currency, C. T. Conover, is threatening to resign. If the banks go broke, the Fed's violation of the law will be out in the open for all to see.

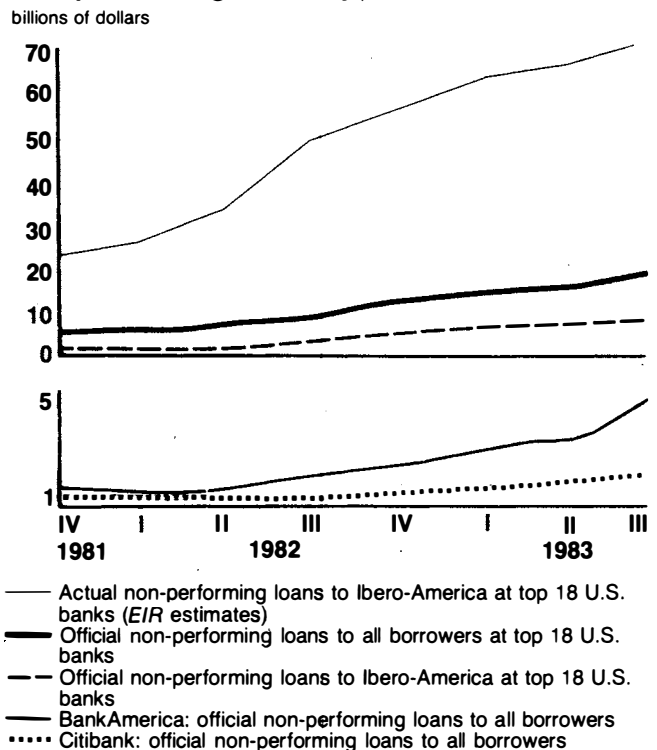
The trouble is beginning to show up even in the official figures (see **Figure 5**). The officially listed non-performing loans of major U.S. banks rose sharply in the third quarter of this year. Total non-performing loans, both foreign and domestic, of the top 18 banks rose to some \$20 billion officially reported at the end of September, from about \$18 billion at the end of June, according to estimates based on a study of 16 banks by Warburg-Parisbas-Becker bank analyst George Salem.

Out of the \$20 billion total, the top 18 banks have at least \$8 billion in bad foreign loans, mostly to Ibero-America, which they are officially admitting.

The official figures "are going to get a lot worse in the fourth quarter," a Chicago banker warned. "During the third quarter most banks actually declared minimal losses. Brazil, Argentina, and Mexico all made tiny payments to make it look like they were not 90 days behind."

As *EIR* reported in our Dec. 6 issue, Bank of America in particular seems to be trying to force the issue of the bad loans, evidently in hopes of bringing about a "new Bretton Woods" reorganization of the world debt system. While Citibank is reporting only \$2.6 billion in bad loans for the third quarter, Bank of America reported a total of over \$5 billion. Bank of America is reporting foreign bad loans for the quarter of some \$2.3 billion, compared to Citibank's report of only \$2 billion foreign non-performing loans. Citibank is \$10 billion larger than Bank of America.

**Figure 5**  
**Non-performing loans by U.S. banks**





# Development projects scrapped under IMF

by Mark Sonnenblick

A million Americans have lost their jobs thanks to the IMF austerity programs imposed on Ibero-America. U.S. exports to the region have been almost halved from their 1981 level of \$39 billion. Each billion dollars of exports means 25,000 U.S. jobs, according to congressional testimony by the National Foreign Trade Council.

For the countries of Ibero-America themselves, the IMF program has had the following consequences:

- They have been forced to halve their imports in real terms since the first half of 1981, to only \$10.9 billion in the first half of this year.

- They have been forced to export to the United States, at prices far below the cost of production, goods they produce which should have been used internally.

- They have had to abandon the very development projects which would have raised the revenues to pay the debt in the future. In Brazil, Mexico, Venezuela, and Argentina, over \$400 billion worth of well-planned investments has been abandoned, put on ice, or implemented under conditions in which the projects are no longer viable. Ambitious plans for energy, infrastructure, mining, steel, and petrochemical development have been killed. Populations are dying of malnutrition on land which could, with high-technology investments, become breadbaskets for the world.

If allowed to complete even some of these projects, these nations would be able to service their debts. Chase Manhattan bank observed in 1979 that the \$15 billion annual iron ore exports forthcoming from Brazil's Carajás project would be enough to pay the entire interest and principal due from Brazil. Bundesbank officials told *EIR* that if Belgium's energy system can service the \$100 billion used to build it, than Brazil's Itaipu Dam could easily cover its \$14 billion cost. Carajás has been postponed and Itaipu, the world's most powerful dam, stands completed, but without power lines to its market 500 miles away.

Ibero-America would become an economic superpower if the whole gamut of projects were completed. Wonderful? Not in the minds of anti-growth Malthusians in Washington, London, and Switzerland. "The United States cannot tolerate

any more Japans south of the border," Carter-Mondale Latin American policy chief Robert Pastor told *Business International's* Leslie Bourne in 1977. The State, Treasury, and Commerce Departments are still operating under that dogma, subverting President Reagan's desire for expanding trade with neighbors like Mexico and Brazil.

## Brazil

When the crisis hit, Brazil was embarked on 16 projects costing over \$1 billion each, with a total scheduled outlay of \$202 billion. Brazil's leaders saw that its vast natural and human resources demanded that industry keep growing at the 12 percent annual rate of the 1970s. The new infrastructure, industry, and agriculture would have created, directly and indirectly, 5.5 million new jobs.

*EIR* calculated that these capital-intensive investments would pay for themselves many times over. They would raise the average productivity of every worker in the country by 10 percent, giving Brazil the genuine surplus which would repay the high-technology equipment imported from the United States and elsewhere for the project, would permit non-inflationary raising of living standards, and would generate capital for further investment. Indirectly, these largely state-run projects would serve as the prime market and supplier to catalyze creation of thousands of smaller private-sector industries with faster paybacks.

These projects have now all been slashed or canceled. The IMF's first move in Brazil was to force a halving of the state-sector investment budget for 1983 and to reduce it further in 1984. What is left is inadequate even to service the debts held in the name of state-sector companies.

**The Greater Carajás project:** This \$69.2 billion undertaking involved building a modern agricultural and metal-working facility and placing 1.7 million families in an almost unpopulated Amazon province twice the size of Italy. The state's CVRD mining company planned for the whole enterprise to be financed from export revenue from the \$333 billion worth of super-pure iron ore in Carajás mountain starting in 1985. But the banks provided not a penny of the \$160 million they were committed to lend in the first half, and therefore the 550-mile railroad link from the completed mine to the completed port cannot be ready until May 1986 at the earliest. The IMF insists that nothing but the mine, railroad, and port will ever be built, and that Brazil must open its state sector to foreign ownership.

**Nuclear energy program:** The \$30 billion "deal of the century" for eight power reactors, enrichment and reprocessing plants from West Germany has not been formally abrogated, but work has practically ground to a halt. Components for the first reactor fill warehouses in Germany and Rio. The \$250 million nuclear engineering facility, the best in the Third World, has almost nothing to do.

**The first turbine of the 12,600-megawatt Itaipu Dam,** the world's largest, will soon be turned on. But, except for a

dribble of power needed by neighboring Paraguay, its output will go to waste. The World Bank decided not to "waste money" building transmission lines to the cities, when over 2,000 megawatts of hydropower from older dams are already going to waste as a result of the industrial depression. Itaipu's cost per kilowatt is the world's lowest, but, deprived of a market, it is now a \$14 billion white elephant.

**Steel production:** Fourteen million tons will be produced this year, against the 30 million once planned. The nearly completed \$3 billion Açominas plant has been abandoned; CSN and Cosipa expansions face the same fate. The Tubarão plant, inaugurated Nov. 30, has to pay for itself by dumping steel in Pittsburgh at prices reportedly as low as \$125 per ton for steel slabs which sell for \$180 per ton on the world market. To do this, Brazilian wages have been lowered to the point that a worker earns in a day less than the man doing the same job in Pittsburgh gets in an hour.

**Railroad development:** Subway expansion has been canceled. São Paulo's 30-year-old commuter trains break down weekly, resulting in savage riots. The almost complete modern "steel railroad" has been abandoned.

**Other infrastructure projects** for \$14 billion in housing, water, and sewage, \$7 million in port modernization and shipbuilding, and \$4 million in communications improvements have been cut back drastically.

## Venezuela

The 1976-80 development plan (V Plan) provided for \$53.3 billion worth of capital investment which was to continue into the 1980s, multiplying production tenfold by 1990. Investments were to be concentrated in the new industrial complexes in Guayana and Zulia provinces. The Zulia plan was for a greenfields coal pit and mine producing 5 million tons per year, much of which would be used in a greenfield steel plant, eventually yielding 10 million tons per year as part of Venezuela's V Plan objective of producing 15 times as much steel in 2000 as in 1976.

In the 1981-85 VI Plan, Zulia was drastically cut down and then eliminated. Ciudad Guayana, once the country's boomtown with \$11.6 billion worth of steel and aluminum complexes under way, is now filled with hundreds of thousands of unemployed as almost all new construction has ground to a halt.

## Mexico

Mexico's plans for becoming an industrial producer not dependent upon oil revenues focused on breaking transport bottlenecks with new port cities, building 20 nuclear plants and full electricity grids to supply efficient steel, petrochemical, and fertilizer industries, and feeding an expanding population by channeling irrigation water from the humid south to the dry plains of the North.

To accomplish these tasks, Mexico would require some \$150 billion in imported capital goods, \$100 million of them

from the United States, *EIR* reported in 1981. The deal would be "oil for technology," with Mexico pumping oil on the Saudi Arabian scale of 10 billion barrels per day by 1990 to provide secure supplies to its technology suppliers.

Mexico was barreling down this track in 1981, until the IMF and the banks pulled the plug.

As soon as Mexico began to encounter financial difficulties, the IMF demanded that it stop importing. Dr. Júlio González, IMF division chief for Mexico and the Caribbean, said in March 1982: "We are telling the banks to hold the line on lending to Mexico and clamp down now, to try to get the import levels down. If imports are not cut, and wages, then there will be an absolute state of chaos in Mexico in the middle of the year. . . . So they must begin the austerity program now."

Work stopped on every development project, and suppliers in the United States laid off their workers. Secretary of the Treasury Donald Regan told Congress last year that the United States had lost 250,000 jobs due exclusively to Mexico's inability to import. Mexico's capital goods imports (mostly from the United States) fell by 50 percent in 1982 and by an additional 71 percent so far this year. The terms of debt renegotiation contracts signed with the banks rule out resumption of such imports for the foreseeable future.

**Four new ports** were planned to break the bottlenecks blocking Mexican integration into the world economy. Each of them was intended to be an intermodal center capable of handling containers and solid and liquid bulk cargos to and from supercarriers. Two were greenfields projects involving the construction of entirely new cities. Each was to serve as the center for a heavy-industry complex. All are paralyzed.

**Nuclear energy program:** Plans were for 20 nuclear plants by 2000. In June 1982, Mexico canceled bidding on \$3 billion worth of contracts on which U.S. firms were the leading bidders. Work on the 75 percent complete Laguna Verde I will be dragged out until at least 1987, while the 40 percent completed Laguna II has a padlock on the construction site. The state uranium mining company has just been dismantled, and a new nuclear research center was canceled.

**Steel production:** Las Truchas stage 3 and two private and one state plant at the new Altamira port have all been canceled.

**Petrochemicals:** Plans to spend \$3.6 billion to build 50 plants from 1981 to 1985 were announced in 1981. The huge La Cangrejera complex is 90 percent complete, but key components needed for efficient integrated operation are not being built.

**Irrigation:** Mexico could raise its grain harvest from 20 million tons to 68 by 1990 with irrigation, fertilization, and other improvement of existing acreage. Huge canal projects moving water up from the rainy and rugged South to the dry plains of the North are vital to this. But inability to import has caused the government to deny machinery to proposed water management systems.

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## Generals order new Soviet war buildup

by Rachel Douglas

Precisely as Lyndon H. LaRouche, Jr. warned in this publication beginning last April, a new escalation of Soviet-coordinated violence has exploded in the headlong rush of the Kremlin toward a global thermonuclear confrontation with the United States. The Soviet Union lost no time in launching into a higher war mobilization after its Nov. 23 walkout from the Soviet-American medium-range nuclear arms talks (INF) in Geneva. The most extreme statement of the situation, which actually describes the Soviet posture, was East German Defense Minister Gen. Heinz Hoffmann's Nov. 26 charge that the United States and NATO have "declared war" on the socialist states.

The pretext for the Soviet threats was the West German parliament's Nov. 22 vote to go ahead and accept the long-prepared deployment of U.S. Pershing II missiles on West German soil. The INF negotiations were supposed to try to avert those deployments and simultaneously curb the Soviet intermediate-range SS-20 missiles aimed at Western Europe. (See page 37.) Having rebuffed every U.S. overture at the INF and having declared anathema on President Reagan's policy of building beam-weapons anti-missile defense, which is the sole way out of the dangerous shift toward the superpowers' nuclear forces being in a launch-on-warning status, the U.S.S.R. is rushing to carry out its pre-planned policy—to plunge toward thermonuclear showdown with the United States, including, if Moscow believes it necessary, a pre-emptive first strike.

The Soviet posture pinpoints the dangerous incompetence of a report submitted earlier this fall to the Joint Economic Committee of the U.S. Congress by the Central Intelligence Agency, which paints the picture of a Soviet economy about to crumble and decreasing its rate of military hardware

procurement. As *EIR*'s editor-in-chief Criton Zoakos indicated in a criticism of the report issued Nov. 29 (see page 36), the misleading composition of the CIA report will play into Lord Peter Carrington's objectives of forcing the United States to back down from President Reagan's commitment to a beam-weapons defense system, or else splitting Europe from NATO—both objectives that happened to coincide with Moscow's aims.

Writes Zoakos, "If you want to know what they [the Soviets] are up to, you must figure out how they are using their chosen instrument of policy, the Ogarkov mobilization of war resources." In the following pages, *EIR* reviews the way in which the Soviet Union has implemented the integration of the military and civilian economies set forth two years ago by Chief of Staff Marshal Nikolai Ogarkov, putting the Soviet Union on a World War II-style mobilization. We also present the clearly urgent response: the kind of crash economic mobilization for beam-weapons development advocated by Lyndon H. LaRouche, Jr., to gear up the U.S. and Western economies as Franklin Roosevelt did in 1939-43.

### Soviet submarine 'breakout'

Only fools or cowards—or willful traitors—could dismiss evidence that the Soviet war drive is in progress *now*.

Within hours of a Nov. 24 proclamation by the Soviet leadership that Moscow is deploying more nuclear missile-armed submarines off United States coasts, U.S. and NATO military intelligence monitoring points were on a heightened level of alert because of detected Soviet submarine movements. The *New York Times* and its co-thinkers in government soft-peddled the Soviet walkout at intermediate-range missile talks in Geneva, as long expected and nothing special,

but an intelligence source said that an observed "breakout" of Soviet Navy submarines from Baltic Sea and other ports was being viewed as militarily very serious.

According to the Yugoslav daily *Politika*, the Soviet Union will also soon deploy medium-range nuclear missiles in Bulgaria, despite its purported interest in a "Balkan Nuclear Free Zone," on top of the missile buildup already announced for Czechoslovakia and East Germany.

But, even blood-curdling talk about a "declaration of war" and the rattling of Soviet missiles did not clear the air everywhere about what the real strategic situation is. West German Foreign Minister Hans-Dietrich Genscher lied in a Nov. 26 radio interview that "Andropov's new statement is milder than the one he made on Sept. 29," and Minister of Defense Manfred Woerner said no one should "overrate Andropov's threats" and there was "no reason to get nervous."

Thus, it was left to prominent Warsaw Pact spokesmen to tear the curtain of illusions to pieces. Former Soviet ambassador to Bonn Valentin Falin wrote threateningly in *Izvestia* that the West German vote was "the most adventurist decision ever taken in the short history of the Federal Republic of Germany." The Soviet Union and the Warsaw Pact would not tolerate that "the threat of nuclear war" emerge from West German soil, said Falin, adding that "the West German population is from now on living in expectation of the worst."

General Hoffmann was still more blunt: "By beginning the stationing of the American missiles, the U.S. government and the highest representatives of the leading NATO member countries have openly declared war on the community of socialist countries. They have taken the course towards broad-scale war preparations against the Warsaw Pact nations." Hoffmann said the Warsaw Pact would react in a way that it became unmistakably clear to the West that "he who plans aggression must be threatened with certain doom."

Observers not blinded by Genscherish fog expect Moscow to launch some new provocations, aimed at humiliating the United States, in short order. A British military intelligence source reported that London circles reckon "the Soviets think that they have at the moment a military advantage against the United States, and they have intended for a long time to strike at a time when they had the advantage. Now, they perceive this advantage to be threatened by American commitment to beam weapons and the MX missile. So, many are starting to think here that we can expect something rough from the Soviets. . . . They will do their damndest to humiliate Ronald Reagan, and will intensify this as they perceive the U.S. to be immobilized going into the next elections."

The source said that "the most likely place for the Soviets to move is in the Third World somewhere. But we expect them to escalate threats also against Western Europe, and to intensify threats in Cuba, and directly against Alaskan territory."

European and other intelligence sources are also alert to the probable activation in Europe of Soviet *spetsnaz* (special

purpose) forces, commando units trained in sabotage and assassination. Intelligence reports show that tens of thousands of these troops, trained in European languages, would be deployed for internal disruption of NATO countries before hostilities broke out. On Nov. 20, *Izvestia* carried an overzealous denial of the existence of a *spetsnaz* training center in Odessa, written in response to a recent CBS-TV special exposing the existence of these commando units and their training centers. A recent Agence France Presse wire said that the *spetsnaz* units number over 15,000 men, highly trained and "specializing in sabotage and assassination of foreign politicians." Some of the units are said to be stationed in East Germany, Hungary, and Czechoslovakia (as well as Romania, according to other sources).

The expectation of Soviet-abetted violence in Washington led to the security alert which included the placement of sand-filled dump trucks around the White House and State Department to protect against car-bomb attacks. A dawning understanding in the intelligence community, that as the Soviets push for strategic confrontation their friends and assets like the Iran-based "Islamintern" terrorists are becoming more violent, led to the adoption of the extraordinary security measures on Thanksgiving Day.

In Libya, the official journal of the "revolutionary committees," *Zahf el Akhdar* (The Green Step) has openly endorsed the terrorist attacks against the French and the U.S. headquarters in Lebanon last month and called on Muslims to "take vengeance" on France, and to "make torrents of French blood flow."

There have also been indications that the Soviets themselves are preparing contingency plans for direct action into the Middle East, a new and dangerous show of force by an invasion of the northeastern Iranian province of Turkmenistan, on Iran's border with Afghanistan. For months, the U.S.S.R. has been deploying its agents into this area, reportedly to undermine a suspected support apparatus for Afghan Muslim rebels, centered in Harat near the Iranian border. Six months ago, Iranian Islamic Guards in the Turkmenistan region reportedly began harrassing the locals and forcing them across the border into Soviet Turkmenistan. According to Iranian sources, the Soviets have been training these Iranians in counterinsurgency and sending them back into Iran. For the first time, the Soviet and Iranian press are exchanging angry accusations about Iranian support for the anti-Soviet Afghan rebels. It would be the Soviet *modus operandi* in this region to fan this tension to provide a pretext for a Soviet invasion.

European intelligence sources are studying the possibility that easing in Soviet relations with China will open the door to a transfer of Soviet troops from the Sino-Soviet border to the vicinity of Iran. On Nov. 16, the Sinkiang (northwestern China) border station of Korgas was opened for cross-border trade after more than a decade of interruption. There are already estimated to be 26 divisions of Soviet troops on the Soviet-Iran border, but should the Soviets move into Iranian Turkmenistan, Moscow would need further troop strength.

# CIA's Soviet estimate is misleading

"The Sept. 14, 1983 CIA Report to the Joint Economic Committee on the current state of the Soviet Union's military production effort, despite numerous accurate items of information, is, on the whole, inaccurate, misleading and dangerous if decision-makers were to rely on its unfounded claims," according to *EIR* editor-in-chief Criton Zoakos, an associate of Democratic presidential nomination candidate Lyndon H. LaRouche, Jr.

"It was evident by no later than August of 1983, before the disappearance of President Yuri Andropov from public view, that the Soviet economy had been placed totally on a war mobilization footing according to a plan authored by Marshal Nikolai V. Ogarkov, the chief of staff of the Soviet Armed Forces during 1981" (article, below). This "phenomenon can only be compared, in the American experience, to the 1939-44 war mobilization carried out by President Franklin Roosevelt."

In his Nov. 29 analysis, Zoakos noted that from internal textual evidence, the CIA report "was the result of a protracted sort of bargaining sessions among contending analysts and schools of thought with conflicting and even diametrically opposed points of view.

"The second problem is the attempt to portray the Soviet economy as being in 'deep trouble' while at the same time the rate of growth of military hardware procurement has been reduced by half from 4 percent increase per year to 2 percent." Zoakos said that the intended effect of the two combined facts is to make American policymakers see the Soviet Union "as a country about to break up and ready to bid for a compromise deal with the United States.

"That faction of analysts which contributed this fallacy of composition wittingly or not is contributing to the cause of Britain's Lord Peter Carrington who is making his bid to be named secretary-general of NATO. . . . The danger embedded in that report is that Carrington, upon being appointed NATO secretary-general, might go through with his well-known plan which, according to published reports, may be summarized thus: the European members of the alliance, under the influence of Lord Peter, would present the United States with an ultimatum. 'Either you instantly terminate Mr. Reagan's March 23 program for the testing and development

of laser beam anti-missile defense systems, or the European members will break out of the alliance.' This, should Carrington win the nomination, would occur sometime in the spring of 1984, the estimated time during which the Soviets are expected to deploy their first ground-based relativistic particle beam point-defense weapons against missiles."

Mr. Zoakos stressed the following positive aspects of the CIA report: "The dramatic increase, during the first eight months of 1983, in the militarily relevant machine tool shops' investments and floor space is a fact. That the Soviets now have more military systems in Research, Development, Testing and Evaluation (RDT&E) than they had during the decades of 1960s and 1970s combined is also a fact. That consumer-related investments are collapsing is a fact, too. It actually is the result of a deliberate policy, the Ogarkov policy.

"Mr. LaRouche has often warned in public that the Soviet leadership had made an irrevocable decision not later than March 23 of this year and probably as early as the spring of 1982 to reorganize the entirety of its domestic economic, technical, engineering, and scientific effort toward the objective of confronting the United States with an overwhelming combination of strategic assault forces and anti-missile defense systems based on high energy laser and particle beam technologies—and thus force the military capitulation of the United States not later than 1988."

Some of the stagnation observed in the civilian sector, Zoakos observed, "is the result of the internal flaws of the Soviet economic system. Another part is the result of the ongoing collapse of the world economy and trade. The third, most crucial part of Soviet civilian economic stagnation is caused by the Soviet command decision to divert vital investment resources away from civilian sectors into the war effort. The analyst's task is to identify those unique types of investment resources and their characteristics which are being diverted into Ogarkov's war mobilization and proceed to characterize the state of the Soviet economy from that standpoint.

"The one of the three causes of Soviet economic stagnation about which Soviet policy-makers can do something is this diversion of civilian resources for the purpose of military buildup. . . . Therefore, if you want to know what they are up to, you must figure out how they are using their chosen instrument of policy, the Ogarkov wartime mobilization of resources."

Zoakos concluded: "The CIA report to the Joint Economic Committee is itself a cause for grave concern. The level of incompetence that it reflects amounts to a grave calamity in the state of affairs of national security-related intelligence evaluations. . . . If this calamity is not redressed immediately, the Soviet policy makers will never have to worry about their 'stagnating' civilian economy. Their strategic breakout will put them in the position of generously helping themselves to all they can get of what shall be left of the relatively more productive economies of western Europe and the United States."

# Soviet war mobilization was proposed by Ogarkov in 1981

by Rachel Douglas

The missile-crisis escalation marked by Soviet submarine and short-range missile deployments is part of the picture of a Soviet Union totally mobilized for war. A reorganization of economic management and allocations in the U.S.S.R. in the last months fits a blueprint published in 1981 by Chief of Staff Marshal Nikolai Ogarkov, to militarize the entire Soviet economy on the model of the "centralized leadership of the country and the armed forces" provided during World War II by the State Defense Committee. Thus, while high-level officials in the Reagan administration are still hesitating about, or opposing outright, a 1939-44-style economic mobilization behind the President's beam weapons program, the Soviets have declared themselves to be following the wartime example.

As for military programs proper, Moscow is forging ahead with development of beam weapons for anti-missile defense, the very capability the Soviets have been doing everything conceivable to stop the United States from acquiring.

On Nov. 28, the Communist Party daily *Pravda* carried a glowing prospectus for the next phase of the Soviet space program, including the placement of large mirrors in orbit for the purpose of reflecting sunlight onto winter-darkened cities in the Soviet north. Nobody who has been following the blow-by-blow Soviet media descriptions of U.S. beam weapons programs, current and planned, could miss the allusion to orbiting mirrors to be used to bounce back ground-based laser beams onto their targets, even if the technology for sunlight reflection is not identical.

Both the Moscow think tank publication *USA: Economics, Politics, Ideology* and the Communist Party journal *Kommunist* published long denunciations of the U.S. beam program this month. *Kommunist's* article was written in fact-sheet style, listing U.S. breakthroughs on x-ray lasers, mirror-reflected lasers, and so forth—all the technologies the U.S.S.R. had planned to get first and exclusively.

According to Fusion Energy Foundation staff analysts, there is evidence the Soviets will be able to deploy first-generation directed energy anti-ballistic missile weapons as early as 1984. Rand Corporation studies in the 1970s reported

a Soviet claim to have developed a compact x-ray beam generation device in 1975. Already then, they were close to developing an x-ray laser device pumped by relativistic electron beams.

Soviet sources have boasted that their government is about to launch weapons production and deployment, evidently on a scale to dwarf even earlier Soviet arms build-up programs, which have been running at 15 or 16 percent of the USSR's Gross National Product.

A recent CIA report on Soviet military production (see *EIR's* critique, page 36) shows that, after two years of stagnation in the machine-building sector, the first eight months of 1983 witnessed a dramatic increase in usable floor space in those industries. It is also reported that the Soviets currently have more weapons systems in the stage of "Research, Development, Testing, and Evaluations" (RDT&E) than they did during the decades of the 1960s and 1970s combined and that consumer-related investments are collapsing for the sake of defense.

That this is a pre-war mobilization is evident not only from the reported investment parameters, but from organizational measures taken since Leonid Brezhnev died last year. The administrative restructuring of the economy outlined in the economic "experiments" unveiled by the Andropov regime this past summer have little to do with decentralization à la the "Hungarian model" (although the Soviets are quick to exploit publicity about their alleged economic liberalization, as a selling point for West European businessmen they want to get involved in U.S.S.R. economic plans). Flexibility granted to local managers is being combined with tighter control from the top, in a streamlining maneuver aimed to wipe out a fat middle layer of the bureaucracy. Several military-allied or military-selected technocrats have been promoted to run key sectors.

For example, there has been a reorganization of the Soviet nuclear industry. A government decree in July, published in November, named Gennadii Sharashin as first deputy minister of electric power in charge of the nuclear power program. Deputy Prime Minister Ignatii Novikov, an old Brezh-

nev ally and head of the national construction authority, and his deputy were scapegoated for problems at the Atommash complex for mass production of nuclear reactors, and forced to retire.

On Aug. 1, Moscow announced creation of a new State Committee for the Safe Conduct of Work in the Atomic Power Industry, headed by Yevgenii Kulov, formerly of the Ministry of Medium Machine Building—the defense industry department believed to build nuclear missiles. That appointment suggests the question: Has the Soviet high command militarized the country's nuclear energy power grid for the purpose of powering ground-based relativistic particle beam weapons in the near future?

### Ogarkov's directive

In a July 1981 issue of *Kommunist*, Ogarkov outlined his ideas on military-economic integration in the manner of the last world war: "The element of surprise played a determining role already during the Second World War. Today it has become a factor of exceeding strategic importance. The question of the prompt shift of the Armed Forces and the entire national economy onto war status, their mobilization in a short time, is posed substantially more acutely. Therefore supplying the troops with trained personnel resources and technology defines the necessity of measures that are precisely planned already in peacetime and coordinated actions by party, *soviet*, and military organs in the localities.

"Now as never before, it is necessary to have coordination of the mobilization deployment of the armed forces and the national economy as a whole, especially in the utilization of manpower, transport, communications, and power, and in ensuring the stability and vitality of the economic mechanism of the country. In this connection it is necessary to have a constant search for how to improve the system of production links of the enterprises producing the basic types of weapons, in raising the autonomy in the event of war of production enterprises and associations involved in energy and water supply—their full provision with necessary reserves and the creation of a reserve of equipment and materials. It is necessary for there to be further improvement of the system of mobilization readiness of the national economy itself, proceeding from the fact that a close interconnection of the mobilization readiness of the armed forces, the national economy and civil defense is a very important condition for maintaining the defense capability of the country as a whole at the necessary level."

None of this, continued Ogarkov, will be possible "without a stable system of centralized leadership of the country and armed forces. We have a certain experience in this regard. The State Defense Committee and the defense committees in the cities on the front, created in the years of the Great Patriotic War, fully proved themselves. It is quite natural that we must take this experience into account. In a future war, should the imperialists force it upon us, the role and importance of the appropriate local party, *soviet* and economic organs in carrying out defense tasks will rise significantly."

## U.S.A.: a 1939-43 buildup is urgent

*Lyndon H. LaRouche, Jr. analyzed the Soviet strategic threat to the U.S.A. and reiterated his recommendation for a World War II-modeled economic mobilization of the U.S.A. in a statement issued Nov. 26 through his presidential campaign committee. Excerpts of the statement follow:*

During mid-April of this year, I estimated and reported that the Soviet government was committed to a global thermonuclear confrontation with the United States during the early period ahead. I reported my estimate that the count-down toward this confrontation would probably begin during August of this year, and build-up to placing the mainland United States under threat of Soviet thermonuclear attack by as early as December 1983.

Now, precisely the scenario against which I warned during April and May of this year has unfolded. This past week, a new escalation of Soviet-coordinated violence exploded, and Moscow issued the anticipated public threat of placing the mainland United States under immediate threat of thermonuclear attack from submarines and other new emplacements of missiles. . . .

The significance of this is not to remind you how right I was in the estimate of the Soviet government I issued this past spring. The practical purpose is to warn you that my estimate of the character and intentions of the Soviet government is now fully proven by events, and to urge you to support my strong recommendation to President Reagan that he immediately implement a war-emergency powers order, not to launch war, but to build the defenses of the United States up rapidly to the level the Soviet leadership will pull back from its present decision to risk thermonuclear showdown. . . .

### Present Soviet intentions

The Soviet government is committed to an early thermonuclear confrontation with the United States, with the purpose of risking war in the expectation that the United States will back down, and in backing down will provide Moscow such extensive concessions that Soviet military superiority will be unchallengeable for the decades ahead. What



is in progress now is a rapid escalation toward a brutish, bestial test of national wills, thermonuclear eyeball to thermonuclear eyeball. . . .

Even among the President's supporters, Nervous Nellies among political advisers are cautioning that no divisive issues, especially no abrupt decisions, be made between now and the November 1984 elections.

There is little doubt that were he reelected in November 1984, or on the wild chance that I were to win the Democratic presidential nomination this coming summer, President Reagan would immediately launch the equivalent of a war-emergency powers order, and full-scale 1939-43-style economic mobilization at the instant I were nominated or he reelected, whichever came first. At that point the calculable margin of Soviet advantage in launching a global confrontation would begin to disappear. Therefore, we must estimate that Moscow will escalate to full-scale thermonuclear confrontation before the end of the first six months of 1984—unless something happens very quickly to persuade Moscow to call off this lunacy. . . .

Our problem is to demonstrate to the President and the Congress that there exists a patriotic bipartisan constituency which will support whatever measures are necessary to defend the United States against the present, monstrous Soviet aggression. My goal is to persuade the President to implement a war-emergency powers order now, to place our security forces on full alert-status, and to launch a 1939-43 economic mobilization of our nation. These measures are necessary to attempt to persuade the maddened Soviet leadership that a nuclear confrontation with the United States is unwise at this time. At present, such action is the only possible way of preventing a probable thermonuclear war. Unless we convince Moscow that we will not submit to a thermonuclear confrontation, we are headed quickly toward a condition under which we face the choice between submitting to Soviet military world-hegemony or shooting-back under assault by a full-scale Soviet first-strike.

It's ugly, it is almost unthinkable, but that is the horrifying reality to which the bungling of our government over the 1970s has led us.

At present, liberal Republicans and Democratic Chairman Charles T. Manatt are exerting the utmost pressure to prevent the President from taking the kinds of needed measures I have proposed. Manatt, like Walter Mondale, is an avowed supporter of the Soviet-directed Nuclear Freeze movement. If you—enough of you—were to openly defy Nuclear Freezeniks Manatt and Mondale, by visibly supporting my candidacy, such actions by a large minority of our citizens would tip the balance in Washington in the direction needed.

Such a dramatic development in the election-campaign would shift the political situation in the United States as almost nothing else would. If President Reagan is convinced that I have significant and growing support, I believe that evidence will influence his decisions to exactly the right effect.

## Soviet diplomat's lies are denounced

*On the CBS Sunday interview program Face the Nation Nov. 27, Soviet deputy U.N. delegate Richard Ovinnikov tried to lay the blame for the breakdown of the Geneva talks at the United States's door and paint President Reagan as a "reckless warmonger." In a statement released that day, EIR editor-in-chief Criton Zoakos, an associate of candidate for the Democratic presidential nomination Lyndon H. LaRouche, Jr., accused Mr. Ovinnikov of having outperformed Nazi war propaganda minister Joseph Goebbels.*

*Ovinnikov threatened that the Soviets would not return to the negotiating table "until the status quo ante" (the situation before the deployment of the Pershing missile deployment) was restored. In a news conference in New York Nov. 25, the Soviet envoy had said that Moscow would be prepared to resume negotiations "as soon as the American measures are rescinded, as soon as the situation before the deployment is restored, as soon as common sense prevails in this country [the United States]."*

*"The Americans are putting first strike weapons on our doorstep," Ovinnikov said, explaining why the Soviets had recently announced an increased build-up of SS-20s. "Our actions are serious. The situation is serious. If the administration treats it as child's play, this is a reckless approach."*

*When asked by CBS Washington correspondent Lesley Stahl "Weren't the Soviets going to deploy these weapons anyway?" Ovinnikov replied, "No, not at all." The Soviet U.N. delegate said that the Soviets' aim was "stabilization," but that the United States had upset the strategic balance. The Reagan administration, he added, had undertaken a "reckless warmongering act . . . we cannot negotiate in earnest under current circumstances." Mr. Zoakos's reply:*

Mr. Ovinnikov lied throughout the program, but he lied with a specific purpose in mind. It is the alarming character of this purpose behind the lying which obliges me to respond.

Ovinnikov's statement that his country decided to deploy SS-20s in Europe because "the Americans are putting first strike weapons at our doorstep," is lie number one and Ovin-

nikov knows it. The SS-20s started being deployed in Europe in the late 1970s because the Soviet command then had decided to develop the means of destroying the American missile submarine force. The Soviet command used the SALT II treaty to render America's land-based ICBM force totally impotent to a Soviet first strike. It deployed its SS-20s to do the same thing to our submarine deterrent force. To the extent that the Soviet SS-20s have the assigned mission of doing to our submarine deterrent what the SALT II treaty did to our land-based deterrent, it is the Soviet SS-20s which are a first-strike weapon.

Lie number two is Ovinnikov's claim that his government was not planning to deploy its SS-20s had it not been for the "reckless approach" of the U.S. government. It was astounding to watch him on television make this claim while everyone knows that back in 1979, before there ever was a decision to deploy American Pershing II and cruise missiles, there were 140 Soviet SS-20s. This type of reckless lying through his teeth was designed to have a particular psychological effect on the viewing audience, to carry the idea across that "the Russians don't give a damn" and thus induce fear.

The third lie, of the Big Lie category, was Ovinnikov's claim that the United States "has upset the strategic parity." The fact of the matter on this score is that the Soviet Union itself upset the strategic parity a while back in such a way that even the eventual full deployment of Euromissiles cannot restore. The Soviet Union has succeeded in accomplishing this by means of a long string of violations of the SALT I and SALT II Treaties and of the ABM Treaty too extensive to document here. Suffice it to say that they have deployed at least two types of intercontinental missiles not permitted by the treaties, they are testing at least two new types in violation of the treaties, and they have violated the Anti-Ballistic Missile Treaty in at least five provable instances.

Finally, Ovinnikov's assertion that the Soviet Union will not go back to the negotiating table until the *status quo ante* is restored, is a special type of lie. Here is how this matter stands as Richard Ovinnikov knows it: That the Soviet Union is not interested in negotiations is true. That it is seeking to restore the situation as it was before Nov. 22, 1983 is a lie. However, Ovinnikov's government would return to the negotiating table if the subject were to be the abandonment, by the United States, of any effort to manufacture anti-missile defense systems of the type promised by President Reagan on March 23 of this year. As Marshal Dimitri Ustinov, the Soviet defense minister, has made it clear in *Pravda*, the Soviets are not in the least worried about Pershing II and cruise missiles. Their policy, rather, is to prevent the United States from developing anti-missile defenses even if it means going to war. The Soviets, however, have reserved their right to develop such systems and have exercised that right to the point of being ahead of the United States in this crucial field by at least two years.

Here is the secret behind Ovinnikov's outrageous, pro-

vocative lying. The intended purpose of this outrageous lying is to induce fear and terror in Western populations in exactly the same way that Nazi war propaganda minister Joseph Goebbels employed a combination of military acts and threats and outrageous propaganda claims for the purpose of inducing paralyzing fear among the populations of intended victims right before actual military or military/diplomatic moves. This was Goebbels' strategy of *Schrecklichkeit*, and this now is the policy of Ovinnikov's government.

Unless the Soviet command is already on the timetable of a thermonuclear countdown, which is a very distinct possibility given the current status of launch-on-warning, the immediate short term objective of Moscow's *Schrecklichkeit* posture is:

- 1) By means of psychological terror bring the appeaser faction of NATO, identified with Lord Peter Carrington, to a position of control in the European councils of the alliance.

- 2) Once Carrington is brought forward, have the European appeaser faction issue an ultimatum to Washington: "Either abandon the strategic defense policy of Reagan's March 23 speech, or Europe splits with the United States and sides with the U.S.S.R."

- 3) If Washington capitulates to the Carrington appeasers, Moscow wins. If Washington doesn't capitulate, Moscow, with the aid of a betrayed Europe, moves militarily to stop the United States. We have World War Three.

- 4) If the *Schrecklichkeit* policy fails and Europe rebuffs the Carrington appeasers, Moscow moves militarily to stop the United States missile defense program. We have World War Three.

But Ovinnikov's greatest lie, his claim that the Reagan administration is pursuing a "reckless warmongering course," is designed to deliberately conceal the only available path that humanity now has for avoiding World War Three. It happens to be the case that the Reagan administration publicly and otherwise has made repeated offers to the Soviet Union for the two nations to sit down and mutually agree to develop and deploy these anti-missile strategic defense systems in a parallel and cooperative way so that both the two nations as well as the rest of the planet can be protected from either intentional or accidental nuclear missile attacks. Ovinnikov's government has cynically rejected these repeated and generous offers, while it is accelerating its drive to deploy its own monopoly of strategic anti-missile systems before the United States has a chance of developing its own.

Rather than see the United States catch up with their own effort in laser weapon systems for anti-missile defense, the Soviets are pursuing a course of nuclear war threat to force a capitulation of the United States. Ovinnikov and his government are acting like the murderous axe-wielding madman who gets increasingly more enraged as his victim is resisting his murderous assaults. "Stop resisting my efforts to kill you," Ovinnikov screams, "or else you'll make me really mad and I'll kill you."

# Will Great Britain's pedophile scandal bring down Lord Carrington?

by Scott Thompson

While former British Foreign Secretary Lord Carrington is expected to be appointed NATO Secretary General at the alliance's foreign ministers meeting on Dec. 8, the Carrington appointment is ill-timed, to say the least. Alarm bells have gone off around the current investigation by the British Home Secretary of a pedophile (child-sex) ring involving Carrington's close associates, the former Home Secretary William Whitelaw, and as yet unnamed members of the Foreign Office. The spokesman noted that since Edward VIII's abdication, the Profumo scandal, and the recent resignation of Trade and Industry Minister Cecil Parkinson, many political disagreements within Great Britain have been settled by airing sex scandals of the sort now being directed at Lord Peter Carrington.

Well-informed sources in London report that the palace pedophilia scandal grew out of two cases: The first was investigation of a 16-year-old boy who had been seduced and sodomized during Carrington's tenure at the Foreign Office. The second involves the case of Home Office employee Steven Adrian, the director of an organization called PIE (Pedophilia Information Exchange). According to the North American Man-Boy Lovers Association (NAMBLA), a U.S. pedophile lobbying group, NAMBLA's British affiliate was run by Adrian from his office in the British Home Ministry, until he was fired.

The pedophilia scandal came to public light on Nov. 24 when Tory MP Geoffrey Dickens presented to Home Secretary John Brittan a dossier containing evidence of a "pedophile ring," which he says has been operating for some time out of Buckingham Palace and the Foreign Office. Dickens's revelations followed a strong attack from Chief Justice Lord Lane on Great Britain's "immoral society," in a speech at Cambridge University on Nov. 9.

Lord Lane called for a public outcry against a new morality that lets "buggers" be called "gays" and allows children to be exposed to heavy doses of pornographic sex and violence in "video nasties." Lord Lane's speech appears to be the first salvo in an attempt by a Tory faction which has long opposed Lord Carrington's détente policy with the Soviet

Union, to initiate a public cleanup campaign against homosexuality, pedophilia, and the video nasties to which hundreds of thousands of youth between 6 and 16 have been exposed. On the same day that the palace pedophilia scandal broke, an All-Party Parliamentary inquiry led by Lord Nugent released its first report on video nasties. The former Archbishop of Canterbury, Lord Coggan, joined Lord Lane in the crackdown.

Well-informed observers believe that this effort may have been started to clean up the rampant homosexuality and child pornography tolerated until now by Britain's elite, because of the mounting war danger: a danger Carrington and his Foreign Office friends vehemently deny.

## Dope, Inc.

The implication of Lord Carrington's friends at the Foreign Office in a pedophilia ring is not the only scandal hanging over Carrington. The pedophilia question opens a Pandora's box of international rings that specialize in child sexual exploitation, but are also involved in the illegal drug traffic that operates above the level of nations—Dope, Inc. Carrington's ties to the top levels of the dope trade are an open secret.

In his Nov. 9 speech at Cambridge, the Chief Justice Lord Lane cited the fact that 84 percent of all the heroin now seized en route to Great Britain originates with Afghani rebels operating from Pakistan and the Indian subcontinent. This stream of heroin from the "Golden Crescent" is believed by security experts to reveal the footprints of a drugs-for-guns trafficking operation set up by Lord Carrington. In 1981 when he was British Foreign Secretary, Lord Carrington had sought to oust U.S. intelligence control over the Afghani rebel movement, to gain a bargaining chip with the Soviets.

The massive drug-running of the Carrington-backed Afghani exiles based in the Peshwahr and Baluchistan regions of Pakistan also involves opium production in Soviet-held sections of Afghanistan. Such arrangements are not new to Lord Carrington. Before becoming Foreign Secretary he sat at the center of British involvement in Dope, Inc., the \$500 billion international illegal narcotics cartel. In 1967 Lord



Lord Peter Carrington

Carrington joined the board of Barclay's Bank, exposed in the 1978 book *Dope, Inc.* as the premier British bank involved in multi-billion dollar offshore laundering of dirty money from drug trafficking and other organized crime activities. Barclay's is part of a nexus that includes the Oppenheimer family interests which cartelized international gold and diamond markets, the main commodities used in illegal drug and gun deals. The Oppenheimer interests, including Anglo-American Gold Company and De Beers, have made similar cartel arrangements for Soviet production of these commodities.

At the time he joined Barclay's, Lord Carrington was on the board of Hambros Bank, which was involved in joint ventures with the former Vatican banker Michele Sindona, now imprisoned in the United States. His position with Hambros brought Lord Carrington into the circles of the Propaganda-2 masonic lodge of Italy, pinpointed by Italian magistrates as responsible for every major coup attempt, assassination, and terrorist act since the late-1960s' NATO-linked "strategy of tension" in Italy.

Implicated in the "strategy of tension" from the U.S. end was former U.S. Secretary of State Henry Kissinger, a business partner in Carrington's firm Kissinger Associates, Inc. Kissinger has been named in Italian court testimony as a member of the Monte Carlo Lodge set up by P-2 Grand Master, financier Licio Gelli, and as having threatened Italian Christian Democratic Party president Aldo Moro before his murder by P-2-linked terrorists.

Although Lord Lane only touched superficially on certain leads in his mention of Golden Crescent heroin production in Pakistan, it is notable that one of the main transshipment routes for this production has more recently been identified as the Bulgarian Connection. Italian magistrates investigating the kidnapping of NATO Gen. James Dozier turned up links between the Red Brigades and the secret services of Bulgaria, fronting for the Soviet KGB. Later, Italian magistrates uncovered the biggest arms-for-drugs nexus ever, protected by P-2 connected banks in Milan, and following the same Gold Crescent gun- and drug-running circuits in which Mehmet Ali Agca was safehoused before his attempt to kill Pope John Paul II.

At the same time Carrington was starting his Afghan operation, U.S. intelligence reported that the British foreign minister entered into collaboration with the Soviet Union in a scheme to assassinate Egyptian President Anwar Sadat, who during his last months of life embarked on a campaign to clean up *Dope, Inc.*'s arms-for-drugs trafficking in Egypt. Mutual business interests with Moscow's KGB may explain why Lord Carrington's circles are reported to have again offered to partition Iran with the Soviet Union. It would also help explain why, according to British sources, it is Lord Carrington's circles who have advised Britain to withdraw from the international peace-keeping force, at a time when Soviet-backed Syria has consolidated control over the greater part of Lebanon, including, of course, the hashish and opium-producing Bekaa valley.

Carrington at NATO would not only be a strategic disaster, but a walking time-bomb ready to explode into a bigger scandal than the Profumo affair. Security experts have long warned that the sexually deviant behavior of Lord Carrington's associates, recorded by multiple intelligence agencies, including his would-be negotiating partners in the KGB, represents a massive security risk. Now, it appears that some members of Great Britain's establishment second this judgment.

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# Spain's counter-terror policy at crossroads

by Herbert Quinde

The one-year-old Socialist government of Spain's Felipe González has finally taken the first steps in creating a unified political command to confront the unprecedented terror offensive of ETA. ETA, the military wing of a minority movement which seeks independence for the Basque country of both Spain and France, has been averaging one terrorist act every three days over the last months.

The Qaddafi-funded, Jesuit-created ETA is one of the largest of the "separatist" gangs deployed to shatter the Western European nation-states, separatists which as *EIR* has documented in detail are joint assets of the Swiss-headquartered Nazi International and the Soviet KGB intelligence service.

## Hardline measures

In November, González presented to the Spanish House of Representatives (Camara) a package of new laws to be enacted, reflecting a no-compromise stance by the government. Having gained the support of the leading opposition party, Alianza Popular, González told the Congress, "The door of negotiation has definitively been closed." He emphasized that all the concessions granted had been for naught. Full autonomy for the Basque country, amnesty for repentant terrorists, and the abolition of the death penalty have been met with more assassinations and more bombings.

The new legislation in effect will facilitate the declaration of a "state of emergency." The measures proposed will impose maximum penalties for terrorist acts, especially those against military and Civil Guard personnel. Spanish nationals in foreign countries can be prosecuted and convicted in absentia for assisting in extorting the so-called "revolutionary tax." Large numbers of firms regularly pay "protection money" to ETA to insure their property or families are not harmed. The convictions would therefore allow for extradition of persons who manage the logistical and financial apparatus of ETA abroad, like the hundreds of ETA members who have refugee status in the south of France.

The most important changes are the included harsh penalties for "apology for terrorism." With the intention of dismantling the political support network of ETA, the bill forbids any demonstration, public meeting, or press coverage giving "aid or comfort" to terrorism. The new statutes also prohibit political associations that apologize for terrorism. This means that Herri Batasuna, ETA's political party, may in the future be disbanded, and propaganda vehicles of ETA such as the daily *Egin* and magazine *Punto y Hora* could be closed down.

There seems to be popular support for such an initiative. In the days after the most recent ETA assassination, over 2 million people demonstrated against ETA.

## Coup rumors , prompt new law

Spain stepped out of the stupor produced by the wave after wave of bombings, kidnappings, and assassinations when in mid-October, rumors of a military coup against González were running rampant.

On Oct. 19, Captain Martín Barrios, a military pharmacist who had been kidnapped and held since early October by ETA, was murdered in cold blood with a gunshot through the head. Prior to the assassination, ETA had humiliated the government by extracting a concession from a national TV network to read part of its demands in exchange for the Captain's life.

Needless to say, there very loud rumblings in the military barracks throughout the country. The situation was considered so serious that President Reagan sent a personal message to González which read in part, "The American people in conjunction with their Spanish allies are in support of the principles of democracy and liberty which are the real targets of terrorism."

Indeed, far from benefiting U.S. interests, the instability created by a military coup would only advance the imperialist designs of Russia for control of Western Europe.

## France and Spain's fifth column

Spain's success in putting an end to ETA will depend primarily on straightening out its relations with France and checking the Soviet, British, and Israeli influence in security policy making.

"French-Spanish anti-terrorist cooperation is at its lowest point in recent history" is the assessment of a leading Spanish Interior Ministry official. The straw that broke the camel's back was the arrest and imprisonment of four Spanish police officers, three of whom were GEOs (Grupo Especial de Operación) special operations officers, by French police in Pau, France.

The day before the killing of Captain Martín Barrios, the four unarmed Spanish officers crossed into France and attempted to seize José María Larrechea Goni and bring him on to Spanish soil. Larrechea Goni, who directs the ETA grouping that assassinated Captain Martín Barrios, was to be used by the Spanish to gain the release of the Captain. As the

Spanish police officers were dragging the ETA leader to the border, the French authorities intervened, arresting the Spanish officers and freeing the ETA leader. The Spanish officers have been in a French jail more than a month now.

In the first week after the arrests, the French ambassador in Madrid received over 7,000 angry letters from Spaniards demanding the release of the four officers.

There is no doubt that France has succumbed to the combined pressures of the KGB and Libyan dictator Muammar Qaddafi in offering ETA a sanctuary. The French government's impotent response to Qaddafi's genocide in French-speaking Chad is part of a package which includes a "non-aggression pact" signed with ETA by the French government. Another limited treaty was signed with the Corsican separatist FNLC to assure Mitterrand's recent visit to Corsica.

Although some local Socialist Party elected officials in the French Basque curry favor with ETA "refugees," it is well known that the real problem is Mitterrand's special advisers, the Che Guevara epigone Regis Debray, and Francois DeGrossouvre. Both are the architects of the French accommodation with ETA.

Within the Spanish government, González has suffered the debilitating consequences of his continued catering to the influence of a "fifth column" grouped around Vice-President Alfonso Guerra, popularly considered an extreme left-wing ideologue. Although recently the government has publicly attacked the KGB hand in ETA, the blind spot remains the untouched networks of the Nazi International reaching into ETA. Several months back, the two directors of the Interior Brigade charged with monitoring the right wing, including the Nazi International, were removed from their positions for incompetence. Both were Guerra men. The assistant director of the Interior Brigade is in prison charged with illegal possession of state secrets, and corruption.

The Spanish Interior Ministry has been overly influenced by British and Israeli anti-terrorist "technocrats" such as the London-based Brian Jenkins crowd. "Some people responsible for intelligence-gathering in this country are so incompetent that they quote Claire Sterling as a credible source," was the comment of a former Interior Ministry official. Anti-terror "groupies" such as Jenkins and Sterling, who make a living off terrorism, are increasingly losing credibility for obfuscating the issue of the role of the social sciences in terrorism, and covering up the Nazi International's role in international terrorism.

Interior Minister Jose Barrionuevo has attempted to balance all these contending influences by creating the Consejo Superior para la Informacion, a national advisory board on security policy. Although the Consejo will not get off the ground before the beginning of next year, the return of Manuel Ballesteros, former director of the Mando Unico Lucha Contraterrorista (MULC) to an advisory role in security policy indicates that the partisan politics in the intelligence community which weakened the government's counterterror policy, may be nearing an end.

## Russian avant-garde art Rome' cultural assault

by Judith Wyer

In April 1983 an exhibition of paintings and prints by contemporary Soviet artists began a tour of several West German cities. The largest contemporary show to leave the U.S.S.R., the exhibition at first glance could have been mistaken for a turn-of-the-century exhibition from tsarist Russia. It was skillfully assembled, featuring every significant modernist style from the late 19th-century post-impressionism school to pure abstractionism.

Moscow followed that spring exhibition with a multimedia show of pre-revolutionary futurist art from the Mayakovsky Museum which opened in West Berlin in September. That exhibition featured some of the most extreme examples of the degenerate irrationalist Russian modern school which thrived during the years preceding the Russian Revolution.

Since the late 1960s, the U.S.S.R. has undergone a cultural transformation which is demonstrated by its policy towards the visual arts. The 50-year dogmatic adherence to "socialist realism," the propaganda tool of orthodox communism, has been eclipsed by pre-revolutionary modernism, and the Byzantine Imperial culture it glorifies. This is the correlate in art of the political turn in the U.S.S.R. toward the chauvinist doctrine, long nurtured in the Russian Orthodox Church, that Moscow is destined to become the seat of a "Third Roman Empire."

The avant-garde school of painting now being revived is the modern equivalent of the imperial art of Byzantium, the unchanging icon which represents a flat, lifeless hierarchical world dominated by Eastern mysticism. The fathers of the avant-garde abstract school lauded their paintings as the icons of a "new spiritual age." Painters like Wassily Kandinsky were followers of Oswald Spengler, whose *Decline of the West* heralds the final collapse of western civilization. One of the leading exponents of Spengler's apocalyptic worldview was the religious philosopher Nikolai Berdyayev, an enthusiast of the new "modern icon." Berdyayev wrote that the new artistic and spiritual awakening in pre-revolutionary Russia would overwhelm Europe: "For a long time we [Russians] have recognized the distinction between culture and civilization. Beneath their hostility to the West many Russian

## craze: A 'Third on the West

writers and thinkers revealed not a hostility to Western culture but to Western civilization. . . . Russian Easternism, Russian Slavophilism was but the open struggle of the spirit of religious culture against the spirit of irreligious civilization."

Another philosophical inspirer of Russian modernism was Dmitri Merezhkovsky, who wrote of the coming "third kingdom" that would mark the final phase of world history. Merzhkovsky, whose ideas were expressed in the early 20th century modernist movement known as the "Blue Rose," also influenced Arthur Möller van den Bruck, author of *The Third Reich*, one of the books which shaped the Nazi movement.

Today it is no surprise to those who know this history to find Moscow working with old Nazis to build a German-



"He who comes to use with a sword, will perish by a sword" (detail), by Soviet avant-garde artist S. Prisekin. The work was shown in the exhibit by graduates of the V.I. Surikov Art Institute.

Soviet cultural axis based on the common fascist ideology which spawned the Third Reich and the revival of the "Third Rome" doctrine in the early decades of this century.

Soviet President Yuri Andropov's fondness for modern art, which has occupied the attention of the Western media, is not a matter of his private taste, but reflects state policy. That Andropov and the KGB which he headed have been the guiding force in the current cultural shift makes them the modern-day equivalent of the White Russian nobility which backed the early emergence of the degenerate Bohemian Russian avant-garde cult. Vladimir Lenin, the father of the Russian Revolution, never accepted this circle of artistic anarchists and stated publicly that the modernists' leading patron, Education Minister V. Lunacharsky should be "flogged for his Futurism"—a term characterizing the fascist utopian ideology of the modernists. Lenin rightly perceived the radical art movements as a threat to his nascent socialist state. Lenin tolerated the radicals, however, in part because his wife was a collaborator of Lunacharsky, and in part because Lunacharsky's vast international network was used in the early days of the revolution to build support for the new Soviet state.

### Modernism and Nazism

Some foolish and shortsighted Kremlin watchers might shrug off Moscow's modernist revival and its use as a foreign policy tool as an opportunistic ploy to woo the West into believing Andropov and his cohorts are really a liberal westernized lot with whom peaceful co-existence is possible.

Only a fool would believe such a claim.

The fascist ideology which underlies Russian modernism in all its stylistic forms shares the same mother as early 20th-century German expressionist modernism. The father of the Russian abstract school of painting, Wassily Kandinsky, and other Russian painters like Marc Chagall, frequented the same Bohemian Schwabing district of Munich as the aspiring young artist Adolf Hitler and the many German anarchists who became expressionists.

The abstract school of painting was invented by Russian mystics like Kandinsky, Malevich, and Tatlin in the early days of this century, coinciding with a revival of the ancient icon as the image of pure Russian culture. The Russian modernist cult was integral to the Russian religious revival of the late 19th and early 20th centuries. Leading exponents of this revival Igor Berdyaev and Vladimir Solovyev believed that the Eastern "barbarians," the Russians, would eventually conquer the West and impose a new "age of spirituality." Little wonder that these Russian spiritualists found a common ground with Rudolph Steiner, the founder of Anthroposophy—an eastern mystic cult linked to the Thule Society that gave Adolf Hitler his early ideological indoctrination.

The organizer of the spring 1983 exhibition in West Germany was Henry Nannen, editor of *Der Stern* magazine and the leading West German propagandist promoting fascination with Nazism. *Stern* sensationally—and fraudulently—

claimed to have discovered Hitler's "secret diaries" earlier this year. It is no secret in German elite circles that Nannen's *Stern* is sympathetic to both old Nazis and the neo-Nazi Green Party and tree-worshipping German environmentalist movement.

*Stern* itself evolved from the magazine *Sud Stern* (South Star) which was an arm of Hitler's propaganda machine in southern Germany. Nannen studied art history in Munich during the same period that Russian modernists like Kandinsky were there, and was an official in Hitler's Propaganda Ministry under Göbbels.

Nannen wrote in 1939 in *Volk und Kunst*, a magazine devoted to fascist culture:

. . . the Führer has so wonderfully elevated our innermost being, the concentrated being of our people as a whole, so has he grounded our people again firmly in the unshakeable ground of origin and blood, where art also ultimately received its nourishment. . . . When National Socialism came to power in Germany, the isolation of art, its remoteness from life, were also overcome. If this situation had been merely the result of the Jewish-Bolshevik domination of art, it would have been easy to change. It is the unique and brilliant merit of our Führer that he recognized that purges alone . . . could not bring about the necessary change.

Nannen has numerous "art loving" friends in very high places in the Soviet Union today. His inspiration for the spring 1983 show was former ambassador to Bonn, Valentin Michaelovich Falin, a protégé of Soviet Foreign Minister Andrei Gromyko and Falin's successor in Bonn, Vladimir Semyonov. Falin, the son of an art historian, has like many other Soviet notables cherished his private collection of Russian avant-garde art through the years, despite the communist ban. Falin and Semyonov maintained a gallery of Russian modern art in the Bonn ambassador's residence, which functioned as a kind of salon for social affairs with West German business and government officials.

Nannen is said to have won the support of Soviet Culture Minister Pyotr Nilovich Demichev to allow certain paintings to leave the U.S.S.R. for the spring exhibition. Nannen freely travels in and out of the U.S.S.R. and has met many in the Kremlin hierarchy including Leonid Brezhnev. One of Nannen's close friends Lothar-Günther Buchheim, the author of the novel about Hitler's navy which became the film *Das Boot*, arranged three years ago for the first German expressionist exhibition in Moscow in decades. Up until then German Expressionism had been officially associated with the decadence of Nazi culture. The leading early German expressionists such as Emile Nolde had publicly supported the Nazi Party.

### **The role of Andropov's KGB**

Beginning in the early 1970s, the ban on the underground

Russian avant-garde cult was gradually lifted. A turning point occurred in 1974 when a group of underground avant-garde painters showed their works during the now famous exhibition in a Moscow park. The show was violently disrupted as the Soviet KGB used water hoses and bulldozers, even roughing up Western reporters on the scene. Andropov, then head of the KGB, and Culture Minister Demichev staged the exaggerated response to the exhibition knowing it would provoke an international outcry. The ensuing uproar in the Western media was used as the pretext to give official status to many of the artists whose work was represented in the exhibition which toured West Germany this spring.

Another watershed in the U.S.S.R.'s cultural transformation occurred in 1977, when a Russian-born Greek national named George Costakis, then an employee of the Canadian embassy in Moscow, collected 5,000 pieces of pre-revolutionary modern art and managed to take about 1,000 of them to the West where they were promptly shown at the Guggenheim Museum in New York, and in Houston and Ottawa. This sparked a new craze in the United States for Russian abstract art. Costakis, who was officially salaried at only \$100 a week, had several apartments—a luxury reserved only for the most powerful in Moscow's closed political world—and flaunted his enormous collection of Russian abstract paintings. Though he was listed as holding a functionary post at the Canadian embassy, he was considered more powerful than the ambassador, given his privileged ties to the top echelons of Moscow's ruling circles.

There can be no doubt that the mysterious Mr. Costakis' sudden departure from the U.S.S.R. with 1,000 pieces of Russian modern art was arranged through the good graces of Andropov's KGB. Costakis pledged to give some 4,000 pieces to Moscow's Tretyakov Museum, as well as making private gifts of select paintings to many high-ranking Soviet officials.

Another, much better known dealer in Soviet art is U.S. oil magnate Armand Hammer, who has enjoyed an intimate relation with the Soviet leadership since the Russian Revolution. Hammer's family were art dealers to the White Russian oligarchy before 1917; Hammer himself has played a role in championing the revival of the avant-garde in the U.S.S.R.

In September 1982 Hammer made one of his frequent visits to Moscow, taking along Jerry Weintraub, producer of the science fiction film *E.T.*, an anti-science cult extravaganza. Sources say that Hammer and Weintraub conferred with Demichev about producing a Russian version of the film. East-West collaboration to produce sci-fi brainwashing films is very much the rage in Moscow these days. On Oct. 26 Fyodor Burlatskii, Andropov's designated spokesman against President Reagan's beam-weapons strategic defense doctrine, penned an attack on the President in the magazine *Literaturnaya Gazeta*. He proposed that instead of U.S.-Soviet parallel development of these weapons, Washington and Moscow instead make a joint movie, "Star Wars of the Earth Men against Extra-terrestrial Evil Empires."



## The threat of ungovernability

*The coming indictment of Economics Minister Lambsdorff for bribery portends new instability for the government.*

The vote by two-thirds of the Bundestag (parliament) on Nov. 22 in favor of stationing U.S. Pershing II missiles in the Federal Republic has done nothing to alter the growing instability of the country. As the Dec. 15 start of the missile deployment approaches, the stench of fear and appeasement is in the air. The Soviet Union is heading for a showdown with the Western alliance; everyone knows it here, and too many cowardly politicians are already tallying up the terms of Bonn's capitulation.

Egon Bahr, the Social Democratic Party's leading "Finlandizer," called openly for a "security partnership" with the Soviet Union, in a statement after the parliamentary vote. Another leader of the appeasement faction is Foreign Minister Hans-Dietrich Genscher, a personal friend of Henry Kissinger. When Soviet President Andropov's announced Nov. 24 that the U.S.S.R. would deploy new submarines against the United States and new tactical nuclear weapons against Germany, Genscher's response was that the statement "was more moderate in tone than the statement he gave on Sept. 29."

Although Chancellor Helmut Kohl's government sailed through the Bundestag ballot with no difficulty, its future is by no means secure. The announcement on Nov. 29 by the federal prosecutor's office that it is moving to indict Economics Minister Count Otto von Lambsdorff for taking bribes could

be the first step in the break-up of the Bonn coalition. Christian Democrat Kohl relies on Lambsdorff's Free Democratic Party for his majority. So far, Kohl is fully supporting Lambsdorff, thus linking his government's fate to that of its economics minister. If Kohl withdraws his backing for the Count, the Free Democrats could pull out of the coalition in retaliation.

Lyndon H. LaRouche, Jr., in a speech in Kiedrich on Nov. 19, characterized the crisis looming over Germany this way: "The Atlantic Alliance is falling apart. It is crumbling, morally as well as politically. Germany is about to leave the Alliance. Nobody knows exactly what is going to happen, but that is a fact. . . . Somebody wants to put Lambsdorff in jail. This might bring down the coalition. It might lead to a Social Democratic-Green government. But the essential thing is that the objective of the Soviet Union and its greenie and other agents in Germany is to make the Federal Republic of Germany ungovernable.

"The objective is not necessarily to create a government here which is a Soviet puppet government, because Bahr is a little bit more complicated than just being a Soviet puppet; he is something much darker. But the point is that ungovernability is a kind of decision, just as the ungovernability of Weimar Germany was a decision. The Weimar Republic was replaced because it became ungovernable."

A watershed in the political devel-

opment here was the Nov. 19-20 special conference of the Social Democratic Party (SPD), which voted overwhelmingly against the U.S. missile deployment, at the recommendation of the party's executive board. This was followed up by the Bundestag vote, in which all but 13 SPD deputies opposed the missile stationing. The SPD's transformation into an arm of Soviet foreign policy marks the end of a parliamentary tradition which in its best moments has included bipartisan collaboration in the national interest.

Social Democratic Chancellor Helmut Schmidt was a leading advocate of NATO's 1979 "Euromissile" decision, and had always managed to pull his party—kicking and screaming—behind him. Schmidt argued that the threat of a NATO missile deployment would force the Soviets to negotiate to reduce their SS-20s, and that if this were not done, Soviet blackmail pressure on Germany would become unbearable.

The effect of such Soviet pressure was on shocking display in Bundestag hearings at the end of November on "alternative defense strategies." The testimony was dominated by "peace movement" leaders like Carl Friedrich von Weizsäcker who proposed a "social defense strategy" without weapons.

But more surprising was the statement by official government spokesman General Domröse, who declared that nuclear weapons are so destructive that they are inappropriate components of a war-fighting strategy. Nuclear weapons should therefore be drastically reduced, he said, and Europe should concentrate on a conventional weapons buildup. This is the insane "new" doctrine of former U.S. Defense Secretary Robert S. McNamara, and it has the enthusiastic endorsement of Henry Kissinger and of Genscher and his cronies in Bonn.

## George Hawi and Mondale Democrats

*The Lebanese Communist met with "the peace movement" to create a U.S. terrorist front. The Department of State approved.*

Acting directly on behalf of the Soviet Union, Lebanese Communist Party chief George Hawi made an extensive early-November tour of the United States. His sponsors were the Carter administration point men, disarmament groups, and leftist think tanks who are running Walter Mondale's presidential campaign.

Accompanied by Abdullah Saade, a leader of the neo-Nazi Syrian National Socialist Party (SSNP), Hawi made the desired contacts with terrorist controllers and the KGB-funded peace movement. He then flew straight to Moscow on Nov. 24 to report on his trip to senior Politburo member Konstantin Chernenko and with Boris Ponomarev, the old Communist International kingpin.

Named by French and Israeli intelligence as one of the most dangerous men in the Mideast, Hawi is regarded in Moscow as the region's most powerful communist leader.

Hawi made the 16-day tour of at least six U.S. cities to build an alliance of terrorists and peaceniks aimed at forcing the withdrawal of the U.S. Marines in Lebanon—with a visa issued by the State Department.

As we reported (see *EIR*, Nov. 1), Hawi was supposed to be accompanied by Archbishop Hilarion Capucci, a convicted gunrunner, but an uproar prevented the State Department from approving the archbishop's visa. *EIR* revealed that Hawi's trip was part of a Soviet effort to build an Islamic-Marxist front based on the anti-American frenzy of the Ayatollah Khomeini. This surfaced in October,

when the pro-Khomeini, born-again Muslim Roger Garaudy, a former French Communist Party leader, visited Washington.

Hawi was open in his campaign to oust the Marines no matter how much more blood is spilled. Speaking at the Regency Sheraton in mid-November, he addressed a gathering organized by the radical Detroit-based Palestinian lawyer Abdeen Jabara. According to an eyewitness report, the topic of discussion was the imminence of more terrorism against U.S., French, and Israeli personnel and installations in Lebanon and outside the Mideast. Among those in attendance was Sami al-Banna, the reputed nephew of Sabri al-Banna, alias Abu Nidal—the "Carlos"-allied Palestinian terrorist expelled in 1974 from the PLO by Yasser Arafat.

Hawi conferred with the same Carter administration "peace movement" leaders whom *EIR* exposed as supporting the Khomeini takeover in Iran. On Nov. 18, he addressed a closed-door forum at the United Nations church attended by leaders of the Clergy and Laity Concerned and the World Council of Churches (WCC), both collaborators of Carter Secretary of State Cyrus Vance. The late President Anwar Sadat, months before his assassination by Muslim fanatics, named the WCC as supporting the destabilization of Egypt.

Also in attendance was the New York Peace Council, a front for the Communist Party U.S.A.; the People's Anti-War Mobilization; the Women's International League for

Peace and Freedom; and the Palestinian Solidarity Committee.

Among the reported sponsors of Hawi's U.S. tour were a number of "peaceniks" from the leftist Middle East Research and Information Project, a Washington-based group associated with the Institute for Policy Studies (IPS) and its sister organization, the Amsterdam-based Transnational Institute. Robert Pastor and Peter Bourne, advisers to Democratic presidential candidate Walter Mondale who were involved in the communist takeover in Grenada, have multiple connections to the IPS nexus.

The same week that Hawi arrived in the United States, Carter convened a conference on the Middle East at Emory University Nov. 4, where he and others from his administration, along with Soviet diplomat Aleksandr Zotov, called for a unilateral withdrawal of the Marines from Lebanon. Two weeks later, George Ball, adviser to the Carter-Mondale administration on Iran and the Mideast, seconded the Carter stance in the *New York Times*.

Ball is said to be a private supporter of the "Greater Syria" scheme whereby the Damascus regime would use its massive Soviet-supplied arsenal to take control of neighboring Lebanon and Jordan. Moscow supports the fascist Greater Syria blueprint in order to extend its own power. The Soviet Communist Party daily *Pravda* had endorsed earlier this year the neo-Nazi SSNP for its alliance with the Lebanese Communists in "liberating" Lebanon.

On his trip, Hawi set up the American-Lebanese National Association, the American branch of the Lebanese National Movement, a loose coalition of Syrian and Iranian-backed groupings, to coordinate terrorist operations in the United States.

### Communists heading for a break?

*Attacking Mitterrand's defense policy is just the latest provocation by the Moscow-run French party.*

There are plenty of indications that the Socialist-Communist coalition ruling France will soon break up, and it is the Communist Party (PCF), famous as the most subservient in Europe to Moscow, which is pushing provocatively toward that point. Moscow is not pleased with the support President Mitterrand has given to the deployment of the U.S. Euromissiles and his staunch opposition to the peace movement.

In a televised national address on Nov. 16 on national defense and security, the French President said that the strategic crisis, "the gravest since Berlin and Cuba," arose when the Soviets deployed their intermediate range missiles, the SS-20s. Why, he asked, did the Soviets destroy the existing balance by deploying the SS-20s? "The answer is clear: the leaders of the Kremlin . . . hope, by creating two different threats, to succeed one day in splitting Europe from the U.S.A."

As for the "peace movement," Mitterrand observed that the time for "pacificism" had come and gone in 1977 when the Soviets deployed the first SS-20s. He again ruled out including France's independent nuclear deterrent, the *force de frappe*, in arms-control talks between the two superpowers as Moscow has demanded. "I don't accuse Moscow of wanting a war, but the Soviet Union is presently in a situation of force which is closer to war than to peace."

On Nov. 19, the general secretary of the PCF, Georges Marchais, took to the front page of *Le Monde* to reply, with a proposal to abandon national

sovereignty, a statement against the constitution of the Fifth Republic, and an attack on the credibility of the national determination to defend France. The Marchais tirade was also a challenge to Mitterrand's deep personal sense of his role and his power.

Marchais reiterated the PCF's demand for the inclusion of the French strategic forces in the superpowers' disarmament talks. He said that the decision to use France's nuclear weapons must not lie solely in the hands of the President.

The showdown on strategic policy highlights a clash building since early November. PCF central committee member Georges Valbon resigned as chairman of the Charbonnages de France, the national coal mining board, citing disagreement on industrial policy. The communist trade union CGT immediately held strikes in this sector to protest the government policy of abandoning the heavily subsidized coal mines in regions of France already hit by heavy unemployment. Possibly explosive social upheaval is on the horizon.

There are numerous other small, but accumulating, signs that the PCF is going for a break: Public exchanges between the PCF and the Socialist party have gotten nastier. Though the PCF has chalked up electoral defeat after defeat in municipal balloting, because the PCF was caught red-handed in electoral fraud, Marchais dared to blame the failure on the Socialists, because, he said, "the government had not kept its promises to the people." The Socialists, who had avoided at-

tacking the Communists for vote fraud, took the gloves off and blamed the PCF's vote-stealing practices for losing the mayoralties in the Paris suburbs. But they have not gone so far as deciding they can make it without the Communists.

Enjoying an absolute majority in the National Assembly, the Socialists could in principle do without the Communist alliance, although it might create some social unrest in the context of the present austerity policy of the government. To keep the country together in face of these pressures, they would have to work through a potential stabilizing alliance with other forces, forces partly expressed by the support given in November by the French Bishops' Conference to the principle of the French nuclear deterrent. The only effective way would be to pull together a new and original coalition of forces around the strategic and economic national driving force of a policy for beam weapons defensive system for France and her weakened European partners.

In such a new coalition, the World War II collaborators of General de Gaulle who have backed President Reagan's beam defense policy would play a seminal role. It was to undermine such potential that Jacques Verges, the communist lawyer of the Nazi war criminal Klaus Barbie, dropped a political bomb by blaming the death (in 1943, while prisoner of Gestapo officer Barbie) of Resistance figure Jean Moulin on high-level betrayal from *within* the Resistance. The "revelation"—a lie disproven by numerous witnesses' accounts that Moulin was brutally tortured by Barbie in prison—was intended to demoralize those Frenchmen who want to put up a fight against Nazi-Soviet domination today, by discrediting the World War II Resistance.

## **Danger signals in Kashmir**

*Muslim fundamentalist forces continue to foment separatism on the Indian subcontinent.*

**T**he strategically important state of Jammu and Kashmir is simmering with separatist violence after a stormy election campaign in June. Dr. Farooq Abdullah, chief minister and leader of the ruling National Conference Party (NC), has become the focus of attention as anti-India elements gain ground.

The June election was considered a success for Mrs. Gandhi's Congress-I Party, which won 26 of the 76 seats it contested, more than doubling its strength from the 11 seats it won in the last election.

The election results followed the longstanding communal division of the state. Congress-I did extremely well in the Hindu-majority Jammu, and Dr. Abdullah's party virtually swept the Muslim-majority Kashmir Valley. To cash in on Muslim votes, Dr. Abdullah openly used separatist elements, including his political alliance with Mirwaiz Maulvi Sarooq, a fundamentalist Muslim rabble-rouser who had on more than one occasion pledged his allegiance to neighboring Pakistan.

Since Jammu and Kashmir borders China, Pakistan, and the troubled Indian state of Punjab, the growing instability has caused much concern in New Delhi. During October, a series of bombs exploded in Srinagar, the state capital located in the Kashmir Valley. It has also been reported that Pakistani flags were hoisted in some parts of the Kashmir Valley to celebrate Pakistan's independence day on Aug. 14, a signal of defiance unique in the 36-year history of the state.

Recently Indian newspapers re-

ported that an armed training camp has been established inside Jammu and Kashmir near the Punjab border. This camp has been set up primarily to train Sikh extremists and Khalistani separatists to carry out guerrilla warfare against the Indian government.

New Delhi is exerting more pressure on Dr. Abdullah, asking him to curb the communal hostilities erupting in the state. So far, Dr. Abdullah has limited himself to verbal condemnation of these anti-India acts. Dr. Abdullah recently said of the fundamentalist political party Jamiat-e-Islami and its student wing, Jamaat-e-Tulaba: "It is unfortunate that these leaders who swore allegiance to the Indian constitution during the recent assembly elections are now questioning the finality of the state's accession to India."

Some now consider that Dr. Abdullah is deliberately defying the central government's directives and posing himself as the supreme authority in managing his state's affairs.

Last summer, fresh from his electoral victory over Mrs. Gandhi's Congress-I party, Dr. Abdullah went to the troubled state of Punjab and met leaders of the Akali political party there who are openly defying the central government. Besides posing for photographs with the Akali leaders, Dr. Abdullah called for increased autonomy for the states. Last month he hosted a meeting of all non-Congress-I party leaders, which has now come to be known as the "Srinagar Conclave," in Srinagar and put himself forward as

a national leader. In a demagogic attack on Mrs. Gandhi and the Congress-I, Abdullah accused Congress-I leaders of preaching communalism "under the shelter of India's tricolor flag."

Making political alliances with communal elements in Kashmir is a dangerous game. Since 1947, when Pakistani armed forces under the guise of tribal gangs invaded Kashmir and annexed what is known today as "Azad Kashmir," the state of Jammu and Kashmir has been torn apart by communal violence. Dr. Abdullah's father, the late Sheikh Abdullah, a leader with a strong base and personal rapport with the Nehru family, managed the state skillfully until 1981, but the fundamentalists built their strength with financial help from Saudi Arabia and Libyan dictator Muammar Qaddafi.

Today the fundamentalists of Jamiat-e-Islami have been given a free rein. Tulaba leader Tajmul Islam exhorts Kashmiri Muslims to work for the "liberation of Kashmir" from "Indian subjugation." He has vowed that the "prime objective" of the Tulaba is to "ensure that there was no non-Muslim in Jammu and Kashmir."

The fundamentalists are financially supported by organizations based in London, where Dr. Abdullah's spent his student days. These organizations, funded by Libya's Qaddafi and Algeria's Ben Bella, are calling for a worldwide revival of Islamic fundamentalism. Dr. Abdullah retains many official and unofficial contacts in high places in British politics. Last year, Edward Heath, the former British prime minister, and John Nott, then defense secretary in the Thatcher cabinet, took several days off while in India to pay a personal visit to Dr. Abdullah.

## Violence in Puebla

*The PAN party revealed its colors in the Puebla elections: yet the financial press says the party must have a larger role.*

The voting Nov. 27 in local elections in the state of Puebla marked a major shift in the tenor of Mexican political life. The National Action Party (PAN), which has been threatening violence if what it claims are victories on the local level are not recognized, took a page from Mussolini's book and sent squadristi into the streets of Puebla in an attempt to take by force what it had not won at the ballot box.

Alejandro Cañedo, head of the PAN party in the city of Puebla, acknowledged Nov. 28 that armed thugs had been deployed. Asked about reports that PANistas had been seen on election day carrying high-powered weapons, Cañedo replied calmly: "This just means that in our country there are lots of arms."

These gangs seized and burned ballot boxes throughout the day. By nightfall, according to some observers, fully 40 percent of the ballots had been destroyed. Only the presence of the army in some polling places prevented more serious disorders.

The PAN nevertheless lost to the governing PRI party.

One of the reasons Puebla—unlike the sites of previous PAN defeats in Baja California Norte and Sinaloa—was the scene of this rampage is that it has served for decades as a breeding ground for both the extreme left and the extreme right, with powerful Jesuit-directed institutions linking the two.

It is especially a center of neo-Nazi

movements, going back to the formation in the 1950s of the MURO shock-troops. One of the founders of the fascist MURO, Luis Felipe Coello, warned in the newspaper *Acción* the day after the Puebla elections, "It is very probable that before the end of the year, the first bloody tragedy will occur, in one of the cities where municipal elections have been or will be held."

The PAN candidate, Oxford-trained Ricardo Villa Escalera (whose brother is an official of Chase Manhattan Bank) did not even come from the PAN itself. His candidacy was purchased for him from outside the PAN by a neo-Nazi command center called "Integral Human Development, A.C." (DHIAC). The leading lights of DHIAC include Salvador Borrego, another founder of the MURO gang and Mexico's most vehement anti-Semite, and Enrique Farlie Fuentes, an avowed friend of Klaus Barbie in the days when Barbie was the Nazi cocaine king of Bolivia.

Villa Escalera told a campaign crowd just before the voting: "We must not permit them to take the mayoralty away from us. If it is necessary, we will defend our triumph with arms." On the day of the voting, he entered his polling place with a troop of young people, and when the election authorities refused to allow him to open all the ballot boxes on the spot, he gave his followers the signal to tear the boxes apart. All votes at the site had to be annulled.

Some Mexicans are beginning to note the parallels between Germany in the early 1930s under the Versailles debt regimen and Mexico today under the International Monetary Fund. Just as in Germany of that period, in Mexico outside financial forces are making the rise to power of a mass fascist movement a condition for debt renegotiation.

In the Mexican case, one has the word of the PAN itself that this is the case. On Nov. 18, the defeated PAN candidate for mayor of Mazatlán, Humberto Rice García, stated: "The IMF pressured the [Mexican] system to create a democratic opening in Chihuahua and Durango [states which were handed to the PAN in voting at the beginning of July], as well as in the rest of the country, as a condition for negotiating the foreign debt."

The *Financial Times* of London of Nov. 24 gave the game away with a piece entitled "Mexicans cry foul at the stuffed ballot box." Author William Chislett summed up: "Opposition parties, Western diplomats, and Mexican political scientists believe that the government is playing with fire by not allowing freer elections at a time when people are fed up with the ruling party and the country needs an escape valve."

This "escape valve" theory is now coursing through the whisper circuits of the Mexican bureaucracy, thanks to the efforts of Mexico's Henry Kissinger, Education Minister Jesús Reyes Heróles. Reyes Heróles's protégé Carlos Salinas de Gortari, head of the Planning and Budget Ministry, dutifully informed the nation Nov. 20, on the anniversary of the beginning of the Mexican Revolution in 1910, that "Democracy must be broadened, particularly when the crisis deepens, since pluralism is the only way to ventilate divergent opinions."

# International Intelligence

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## **Pravda discusses permanent space station**

The Soviet Union is working toward the establishment of a permanent manned space station, according to a report in *Pravda* on Nov. 28. The president of the Ukrainian Academy of Sciences, V. Paton, discussed the shift "from long-term orbital stations, which are periodically visited by different crews, to a permanent orbital complex." The U.S.S.R. will need to construct space shuttles for passenger and freight transport able to carry loads 200 to 40,000 kilometers into space to carry out the project.

Paton describes the economic spinoffs of maintaining such a permanent space station, including the production of electronic, optical, and medical-biological products "with characteristics which cannot be produced under normal earth conditions." In addition, "Step by step, the material basis for such grandiose space projects as night illumination in the regions of the Far North with reflected sun light will be created."

The large assembling and repair operations in open space, such as the assembly of these 12-meter mirror satellites, much bigger than anything that can be produced on earth and lifted into orbit, are among the "technological particularities" still to be mastered. The military use of such mirrors in beam-weapons defense is well known.

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## **Khomeini's targets begin to protect themselves**

*EIR* founder Lyndon H. LaRouche, Jr. on Nov. 27 called for a global economic blockade of Iran as a criminal outlaw state. Since the Assembly of United Islamic Movements was founded in August, new offices opened by terrorist and "liberation" groups in Teheran have included the Armenian Secret Army for the Liberation of Armenia, which bombed Orly airport this year, and the Moro Liberation Front of the Philippines, which

has declared "war" on President Marcos.

In October the foreign ministry of Indonesia issued a formal protest to the Iranian embassy for organizing young Muslims against the government. The foreign minister of Malaysia has warned that his country is threatened with being turned into an "Islamic Republic."

Several governments targeted by the Ayatollah Khomeini have begun counter-measures.

- On Nov. 23 Lebanon broke relations with Iran after it was discovered that Iran's embassy in Beirut played a role in the terrorist car bombings of U.S., French, and Israeli troops. A few days before, Khomeini said he intended to turn Lebanon into an Islamic Republic. A commander of the Islamic Revolutionary Guards in Lebanon said that within a year Iran would have 11,000 fighters in Lebanon to "liberate it."

- Iraqi President Saddam Hussein announced shortly after the delivery of five French-made Super-*Etendard* bombers with Exocet missiles that Iraq would bomb Iran's economic installations. Iraq, at war with Iran, has attempted to mine Iran's largest port at Bandar Khomeini and used the Exocet missiles to hit ships delivering goods to Iran.

- A slowdown of imports to Iran through Turkish ports began over a month ago, causing Iran to register a complaint with Turkish President Evren in November.

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## **Club of Life leader elected mayor in Peru**

In the Peruvian city of Paramonga, Cesareo Perez Díaz, a 45-year old spokesman for the Club of Life, was elected in the Nov. 13 elections on the ticket of the APRA party.

A city of 33,000 inhabitants on the coast three hours north of Lima, until 1969 Paramonga was totally owned by W. R. Grace and company, which built paper-making and chemical complexes using cane residues. Since then the sugar operation has been a worker-owned cooperative.

Perez won his position partly through his accomplishments as a teacher of mathemat-

ics in the local high school. His low-budget campaign was run through the mobilization of 6,000 students around his plans for re-creating the French Ecole Polytechnique in his city.

"We are going to get rid of that classical Aristotelian formalization which has been used in schools all over the world," said Perez in a radio interview a week before the election. "We replace this method with a neo-Platonic method based on the contributions of the German mathematician Leibniz and physicist Riemann, to work especially with the slum children. . . . I already have a team of physicists and mathematicians, and we are also going to coordinate with professional organizations like those of engineers and doctors to request their presence and collaboration to carry out this beautiful program."

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## **45 years of Soviet-Nazi Mideast collaboration**

The *EIR* Special Report "How Moscow Plays the Muslim Card in the Middle East," to be released this month, remedies a crucial "blind spot" in Western counterintelligence work by detailing the collaboration between the Soviet Union and the Nazi International. The Nazi networks, with their command center in Switzerland, descend from the World War II alliance between Hitler and Haj Amin el-Husseini, the Grand Mufti of Jerusalem.

Ahmed Jibril, the anti-Arafat head of the Popular Front for the Liberation of Palestine-General Command, who provides bodyguard service for Ayatollah Khomeini and who constitutes the major terrorist threat to any Arab-Israeli accord, is a product of this unholy alliance.

The Palestinian terrorist movement of which Jibril is a leader was created by the Mufti and his Nazi friends in the 1950s. The kingpin of the operation was Otto Skorzeny, head of the notorious Nazi state security service's Amt VI section in charge of assassinations, kidnappings and spectacular acts of terror during World War II. After escaping British detention after the war, Skorzeny set

up shop in Cairo.

Today the Nazi-Soviet radicals are out to destroy Yasser Arafat. In addition to Jebril, the PLO renegade Abu Nidal, self-proclaimed murderer of many Palestinian moderates, has also emerged as a leader in the Syrian and Libyan-backed assault against Arafat in Tripoli.

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## Craxi: 'Peace is not peaceful subjection'

The happy waltz Italian Prime Minister Bettino Craxi used to dance with Yuri Andropov has come to an end. The Soviets sent a threatening "personal communication" to Craxi Nov. 25 stressing that "the Italian government has chosen a further hardening of the situation, knowing perfectly well to what consequences such a decision will inevitably lead."

The letter concludes that Italy can still reverse its decision on the Euromissiles and be sure "to get from the Soviets an adequate answer."

Craxi's response the next day said, in part: "Italy didn't choose the hardening of the military situation in Europe and didn't show hostility towards the Soviet Union. Peace cannot be confused with a peaceful state of subjection, it cannot mean renouncing full security. The Soviet Union has reinforced its own nuclear systems aimed only against Europe, creating a disequilibrium that we consider unacceptable."

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## Friends of IMF prepare a coup in Bolivia

Intelligence sources report the danger of an attempt to overthrow President Hernán Siles Zuazo, the president of Bolivia, before Dec. 10.

Raul Alfonsín, the president-elect of Argentina, has promised support for Zuazo after Alfonsín's inauguration on that date. The most important motivation for a coup, how-

ever, is that Zuazo is a vocal supporter of debt moratoria, and therefore has to be prevented from participating in the Quito meeting of heads of state in early January.

The trigger for the coup would be widespread discontent about the economic austerity that the IMF has forced Bolivia to impose. General Hugo Banzer, the brutal former dictator of Bolivia, whose regime was known to have presided over the country's enormous cocaine traffic, is calling for a "constitutional coup" against Zuazo, whose position would be assumed by Jaime Paz Zamora, leader of the Bolivian MIR (Leftist Revolutionary Movement).

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## New Argentine minister warns against destabilizers

The newly elected administration of Raul Alfonsín will undoubtedly be faced with pressures from forces "of the left and the right" whose interests would be adversely affected by the new president's policies, according to Antonio Troccoli, the new interior minister.

Troccoli, a member of the nationalist wing of the Radical Civic Union, announced that the government will create a highly specialized police corps, functioning according to the law, but without leniency toward those who threaten constitutional democracy.

The interior minister also declared that his ministry would launch a campaign, including severe penalties and fines, to prevent the spread of "pornography, vice, obscenity, and eroticism which are . . . burdens to society, and highly lucrative businesses." In the brief period since the Oct. 30 elections, advertisements in the press announcing publication of many new pornographic magazines—"free from censorship"—have increased noticeably.

Troccoli also pointed to the connection between drug trafficking and terrorism, and called on the population to "be alert because these sinister organizations [the mafia] simultaneously control both businesses, in which pornography could also be included."

# Briefly

● **A FORMER** senior Foreign Office official with close ties to Lord Peter Carrington and Henry Kissinger says that "Carrington will take care of the problem of U.S. beam-weapon development when he takes over at NATO. He indicated that the Carrington group, realizing it cannot stop U.S. commitment to beam weapons, will work out a strategy to stretch out the U.S. development program over a long period of time, so as to make the U.S. commitment ineffective in shaping NATO strategy away from the Mutually Assured Destruction favored by Carrington and Kissinger. "The Weinberger viewpoint is not the only viewpoint. To put it another way, there are programs and there are programs," said the British strategist.

● **BANGLADESH** strongman General Ershad was forced to rescind the right to political organizing only three weeks after he announced it at the beginning of November. Twenty-two opposition parties staged a mass demonstration and riot, in which the police killed six people. Ershad also expelled half of the Soviet embassy delegation, on charges they had been stirring up sedition in the country.

● **VICTOR ACOSTA**, president of the Colombian Confederation of Workers (UTC), issued a forceful call on Dec. 2 for a continental debt moratorium, a common market, and an industrial development program, at the national congress of his labor federation in Barranquilla, Colombia.

● **GREENIES** from the town of Mutlangen, Germany have submitted evidence that the local police mixed a poisonous substance into the water of their water-cannon. Witnesses who participated in a recent peace-loving riot here testified that the water with which they were sprayed not only caused sharp irritation to their eyes, but also changed the color of their skin. Confronted with this evidence, the police confessed they had mixed soap with the water used in the water cannon.

## Underestimating the strategic threat

by Stanley Ezrol and Richard Cohen in Washington, D.C.

Has the Reagan administration misestimated Moscow's current intentions? White House Chief of staff James Baker III and others insist that following the deployment of U.S. Pershing II missiles in Europe, and following what administration officials have characterized as "expected" Soviet countermeasures, the Soviets will "sober up" and return to a "regular" although strained relationship with the United States. The centerpiece of these foolish predictions is that during the first six months of 1984, the Soviets will return with serious intentions to the negotiating table at the Intermediate Nuclear Force (INF) talks in Geneva.

Administration insiders pointed to the successful U.S. military operation in Grenada, the fulfillment of the Euro-missile timetable, a toughening of the U.S. approach in regional hot spots, and a "hold firm" approach on the President's strategic rearmament program, as adding up to the required level of strategic initiative against the Soviets.

### Reagan: 'They'll come back'

On Nov. 23, as the Kremlin began signaling its intention to go to direct military confrontation against the United States, President Reagan outlined for the press the assessment of Soviet intentions which was still dominating administration policy making. Asked if the Soviet walkout from the INF talks increased the possibility of a nuclear confrontation, the President answered, "No, I still don't believe there's a danger of a nuclear conflict. . . . I think they'll come back because I think they must be aware, as much as we are, that there cannot and must not be a nuclear confrontation in the world by the two nations that truly have the great destructive capability. . . . We're not going to sit here with false pride. We'll do everything that we can to bring them back."

Two days later, when State Department spokesman Alan

Romberg presented the administration's response to the Soviet announcement that "countermeasures" would be taken against the U.S. Euromissile deployment, he declared that the Soviet measures involved no new military threat. The modernization of the Soviets' missile force in Europe had "long been planned" and "they've had missiles and submarines off the U.S. Coast now for some time," he said. Asked if there was "anything new" in the Soviet threat, he simply restated those points.

Administration officials involved in policy making at the White House, Defense Department, and State Department have confirmed that, while the administration is concerned about "low-intensity" operations, including possible undeclared acts of war in the Third World and "big terrorism" in both the underdeveloped and advanced sectors, the administration is also convinced that the Soviets will seek to avoid a head-on confrontation.

Despite statements almost daily in *Pravda* accusing the United States of a "declaration of war" through the Euro-missile deployment and decisive evidence of a major military-economic mobilization (see article, page 35), the administration's assessment has apparently not yet changed. One private Soviet policy analyst in the administration orbit, who is generally viewed as more "alarmist" than most, told *EIR* on Nov. 30 that he considered the Soviet return to the Strategic Arms Reduction Talks (START) to be evidence that the Soviet war preparations are not to be taken seriously. He explained that Andropov's "disappeared" status precludes any major new Soviet confrontation until either Andropov overcomes his current "political sickness" or a new leadership publicly emerges. He also predicted, as have other "insiders," that the Soviets will soon make a new offer, which the United States will accept. He, and others like him who



vociferously oppose Soviet gains in Central America and the Mideast, do not believe that the survival of civilization, as embodied in the existence of the United States and its allies, however imperfect they may be, is at risk over the coming months.

This group has cautioned the President, with apparent success, that "public opinion" has been "gripped with fear" as a result of the atmosphere created by the "coincidence" of the airing of the nuclear soap opera *The Day After*, the start of the Euromissile deployment, and the announcement of Soviet "strategic countermeasures." Mr. Reagan has been advised to be "sensitive" to these fears (which exist more vividly in James Baker III's murmurings to the President than in the American public), and scrupulously avoid any appearance of a warlike response to the Soviets.

Intelligence sources say that this Baker operation will soon be bolstered by a targeting of leading "hard-line" figures in the administration including Weinberger, CIA director William Casey, and United Nations Ambassador Jeane Kirkpatrick. Weinberger and other Pentagon officials, including Marine Corps Commandant Paul X. Kelly, are to be attacked for their alleged negligence in providing for the safety of the Marine force in Lebanon. The role of Secretary of State George Shultz and James Baker III in insisting that the troops remain virtually unarmed in order to "look peaceful" will be ignored. More allegations of financial impropriety are being prepared against Casey.

In the midst of these pressures on the administration came a week-long series of meetings with Israel's Prime Minister Yitzhak Shamir and Lebanon's President Amin Gemayel.

The policy difference within the administration on the Mideast is the difference between the Kissinger strategy of allying exclusively with Israel and using it against the other states in the region, and the grouping around Weinberger which believes that Jordan, Egypt, Saudi Arabia, and other Arab states must be brought into a larger cooperative role, provide facilities for Rapid Deployment Forces, receive sophisticated weaponry from the United States, and so forth. This latter grouping has argued that Israel's present policies do not coincide with the strategic needs of the United States, and that, therefore, the United States should make any expanded economic and military aid to Israel conditional on Israeli agreement to continue Camp David negotiations and carry out desired operations in Lebanon. The Kissinger group has argued that the administration cannot risk "alienating" Israel by making such demands, and that, in order to avoid taking direct military action in its own right, the United States must tolerate any Israeli action.

Despite reports that Reagan gave Shamir "everything but the ranch," none of the publicly announced agreements with Israel go beyond measures acceptable to both the Kissinger and Weinberger factions. Above all, the key strategic questions have apparently not been resolved. First, although administration officials have said that they recognize that the military and economic situation in Lebanon is "critical," "dangerous," and approaching a "catastrophe," no actions

beyond "reaffirmation" of the May 17 Lebanese/Israeli agreement have been announced. Likewise, although the administration recognizes that in order for Arab nations to join in any "strategic cooperation" with Israel, Israel must show a willingness to negotiate forthrightly on the future of the Palestinian population of the Israeli occupied West Bank and Gaza territories, nothing was achieved in this direction beyond Reagan's expressions of "concern" to Shamir over the continued Israeli settlements which amount to "creeping annexation" of the occupied territory, and the "quality of life" of Palestinians.

In meetings with Shamir, Reagan agreed, most importantly, to establish a permanent "Polito-Military Commission" composed of a United States contingent chaired by Rear Admiral Jonathan Howe, the Kissingerian director of the State Department's Bureau of Politico-Military Affairs, and an Israeli counterpart. The commission is to meet twice a year beginning in January 1984 to discuss joint U.S./Israeli military maneuvers, prepositioning of supplies for U.S. forces in Israel, and other measures to enhance the "strategic cooperation" between the two nations.

Special exemptions were made for Israel in the use of U.S. "Foreign Military Sales" credits for the production of Israel's new advanced jet fighter aircraft, the Lavie. Normally FMS credits are only used for purchases of weaponry produced in the United States, but the President agreed to allow Israel to use up to \$300 million in FMS money for R&D on the Lavie in the United States, and up to \$250 million for procurement of materials in Israel for the project. In addition, \$200 million was allowed to cover Israeli expenses in relocating from the Sinai occupied areas. An administration official announced that these measures were taken to "underscore our commitment to the Lavie Project."

In addition, the administration has announced its willingness to resume sales of "cluster shells" to Israel, sales suspended when it was determined that they were used during the Israeli invasion of Lebanon in ways which endangered non-combatant civilians.

In return for these agreements, and possible additional assistance which intelligence sources tell us has been offered, Shamir has made no concessions on the question of the plight of the Palestinians in the occupied territories or on the question of the occupation of Lebanon. At a National Press Club luncheon which he addressed the day after meeting with Reagan, Shamir warned Lebanese President Amin Gemayel against any attempt to revise the May 17 agreement, which, after seven and a half months is yet to go into effect. "If the Lebanese people are interested to have a withdrawal of all foreign forces and to have a free Lebanon and a sovereign Lebanon, they will always support this agreement and they will not change a single word in it." On the question of resuming the negotiations over the West Bank provided for in the Camp David accord, Shamir had the *chutzpah* to accuse Egypt of violating the agreement by withdrawing its ambassador from Tel Aviv in response to the Israeli invasion of Lebanon.

# New attacks planned by Khomeini's terrorist apparatus within the U.S.

by Terry Jones

Reagan administration officials confirmed Nov. 29 that the security red alert in Washington, D.C. that led to the sandbagging of the White House on Thanksgiving Day was triggered by information that Khomeini operatives in the United States were planning a Beirut-style car bombing. *EIR*, which has stressed the threat to national security represented by the U.S.-based Khomeinites since the days when the Carter-Mondale administration protected them, had put out that estimate of the extraordinary security measures several days earlier.

According to an article by Niles Lathem in the *New York Post*, the Secret Service acted on an anonymous letter sent to the FBI warning that pro-Khomeini operatives in Washington had held meetings in Virginia discussing the possibility of a car bomb. While newspaper reports did not name as the main suspect Iranian secret service agent Bahram Nahidian—controller of David Belfield, the assassin of anti-Khomeini leader Ali Akbar Tabatabai—other information released by administration officials confirms that the Nahidian network is responsible.

The Federal Bureau of Investigation is on the spot. The FBI previously ignored reports of a plot to kill Tabatabai before his assassination in 1980, allowed the escape of assassin Belfield from the United States, and has let Nahidian operate in the Washington area since 1979 as a Khomeini agent. Sources report that Belfield is in Beirut, and was under investigation for the bombing of the U.S. Embassy in Beirut last spring, which killed the entire CIA intelligence team. Other Americans recruited from Nahidian's network are also reported involved in the terrorist attack on the U.S. Marines last month.

The long overdue Washington probe points up the urgency of a call made on Nov. 27 by *EIR* founder Lyndon H. LaRouche Jr., candidate for the Democratic Party presidential nomination, for an international economic blockade of Iran in order to destroy the outlaw dictatorship of Ayatollah Khomeini. LaRouche emphasized that the Islamic Republic

of Iran is not a state, but has become an international terrorist center.

Khomeini's regime, helped into power by the Carter-Mondale administration supposedly as an "Islamic card" to play against the U.S.S.R., is now an asset of the Soviet KGB and Swiss-based neo-Nazis who jointly run the deadly proliferation of Islamic terrorist groups such as the Lebanon-based Muslim Holy War group which massacred 298 U.S. and French troops Oct. 23.

## The 'Islamintern'

Since Aug. 23, when the Assembly of United Islamic Movements (AUIM) was founded in Teheran, "Islamic" terrorists have looked to the Iranian capital as the official center of a global terrorist network. The AUIM "Islamintern," headed by Ayatollah Khomeini's designated successor, Ayatollah Montazeri, is reported to have up to 400 terrorist groups under its umbrella. The reputed power in the leadership is Ayatollah Khoinie, considered Khomeini's personal liaison to the movement, and a member of the leftist Followers of the Imam's Line (Imamis) who ran the 1979 hostage affair. The Imami group, which includes Iran's President Khameini, has extensive East German and Soviet connections; both Khameini and Khoinie were educated at Moscow's Lumumba University.

In response to the Israeli and French airstrikes on the terrorist headquarters of Khomeini's Islamic Republic of Baalbek in Syrian-occupied Lebanon, Khomeini has vowed to take direct terrorist action in France, Israel, and the United States. On Thanksgiving, Khomeini's Revolutionary Guard (Pasdaran) held a rally pledging Lebanese-style terror. A week before, a member of the Iranian parliament, Hojatollah Mavehedi Kermani, told a Friday prayer meeting in Teheran: "It is only the Hizballahi [Khomeini's Party of God] who will sit behind the wheel and blow up those places that must be blown up. And, thanks be to God, that is what they did." The same day Radio Teheran praised the Hizballahi in

Lebanon, "the sons and heroes of the Islamic movement," for the bomb attack on the Israeli military post in Tyre.

European sources report that suicide squads have been trained in Persepolis in northern Iran by North Korean military experts. Reports say that training courses were tested on criminals who had been condemned to death. They were subjected to brainwashing enabling them to drive trucks loaded with explosives into walls, with a camera recording their behavior. North Koreans are now able to train young Revolutionary Guards to become suicide commandos; thousands of these living bombs are said to be residing in the Mideast and Western Europe.

### Islamintern operations in the U.S.

Estimates are that over 3,000 Iranians, Libyans, and Muslims from other countries including the United States have been recruited by the AUIM. Most of those targeted for the U.S. side of this recruitment are black Americans who are taken to Lebanon for training, then brought back to the United States for future operations. This operation has several components:

First, black criminal networks are informed that if they get into serious trouble, they can find havens in Libya or Iran, where their criminal expertise will be utilized for operations in Lebanon or other locations.

Second, black Americans are being actively converted to Islam by pro-Khomeini Muslim Brotherhood networks such as that represented by Washington D.C.-based Bahram Nahidian. Once converted, they are urged to go to Teheran, or on a pilgrimage to Mecca, after which they are taken to Iran for military and guerrilla training, and given on-the-ground experience in Lebanon.

While not on the front lines, their training includes the use of high-powered artillery, including hand-held rocket launchers, and special operations such as the infiltration of U.S. military compounds and theft of hardware from U.S. military bases.

The training program in Beirut was established over two years ago. At that time, black and white Americans affiliated with the **Weatherunderground** and the **Black Liberation Army**, including **Judith Clark**—who was later involved in the Nyack, New York, Brinks armored car robbery—went to Beirut and met with Khomeini and PLO representatives to set up the program. Along with **Daoud Salahuddin**, a.k.a. David Belfield, the assassin of anti-Khomeini leader Tabatabai, several black criminals from the FBI's most wanted list are working in the Beirut operation.

The same black Muslim networks are heavily involved in building up terrorist capabilities in the United States, including the massive theft and storage of high-powered weapons from military arsenals here and in Europe. This coincides with the terrorist build-up of arms and safehousing capabilities for the 1984 Los Angeles summer Olympics.

One feature of this buildup is the current bank robbery spree in the U.S. South by a newly reconstituted New World

of Islam, working closely in this with the BLA and Weatherunderground. It is believed the money is to be used by the Weatherunderground to build an extensive safehousing infrastructure for the Olympics.

### Olympic terror 'team'

One of the main groups coordinating the terrorist actions planned for the Olympics has been identified as **Team International**, an organization set up solely for that purpose, based in Beirut, and run by **Sami al-Banna**, the reputed nephew of Abu Nidal who heads the Black September organization. Al-Banna was recently a New York-based Columbia University graduate student in engineering. He travels frequently between the East and West Coast of the United States, and then to Lebanon to coordinate Team's activities.

In October 1982, after the Israeli invasion of Lebanon and the rout of the Arafat-run PLO, Al-Banna met secretly in New York City with Nayef Hawatmeh of the Democratic Popular Front for the Liberation of Palestine (DPFLP), with a Columbia University-based professor linked to the Italian Red Brigades, and with representatives of other terrorist organizations, to set up Team.

Reportedly, one of its main controllers is **Archbishop Philip Saliba**, head of the **Antiochan Orthodox Church** for North America. The Antiochan Church is effectively although not formally a branch of the Russian Orthodox Church, the actual controllers of the Soviet KGB. Saliba heads a network in the United States known as the **Englewood Group** for its meeting place at Saliba's home in Englewood, New Jersey. *Investigative Leads*, EIR's law-enforcement bulletin, has shown the Englewood Group to be a coordinating body for Mideast-based terrorist networks in the United States.

Saliba is also a secret member of the Syrian Socialist National Party (SSNP), a neo-Nazi party calling for the establishment of a "Greater Syria." The SSNP is allied with the Communist Party of Lebanon in attempting to smash the Arafat faction of the PLO. Over the last year, Saliba has all but resigned from his official church activities, instead traveling frequently to the West Coast to pull together Mideast terror networks. One of his main contact points is the head of the Unitarian Church in Los Angeles.

Saliba's Latin American counterpart, based in Mexico City, is **Archbishop Chedrawi**, a secret member of the Lebanese Communist Party Central Committee, and connected to the Abu Mrad banking family in Mexico—the same family that bankrolled the terrorist 23rd of September League and PFLP cells in Mexico. Networks from the 23rd of September League are sponsoring terrorist training camps in parts of Mexico, including the Yucatán, where international terrorist brigades are known to be in training for the Olympics.

Among the organizations identified with Team International are the PFLP, the DPFLP, the Armenian ASALA (now headquartered in Khomeini's Teheran), the Mexican 23rd of September League, the Italian Red Brigades, the German Baader-Meinhof, and the U.S.-based (Puerto Rican liberationist) FALN. Several sources have reported that one of the

cutouts between Team and the FALN and BLA is **Lena Habab**, Al-Banna's ex-wife and former New York head of the Organization of Arab Students at Columbia University.

The Team operation is interfaced with the Mondale-linked Institute for Policy Studies (IPS) terrorist command center in Washington, D.C. The only printed evidence of the existence of Team is an article by Al-Banna in the spring 1983 issue of *Race and Class*, the "journal for black and Third World liberation" published by the Transnational Institute, the Third World arm of IPS. Al-Banna's article, "The Defense of Beirut: Report from the Front Line," gives an extensive insider's report on the military defense of Beirut as it was being invaded by Israeli forces.

Other persons associated with *Race and Class* and identified as part of the Mideast terror networks include: Ibrahim Abu-Lughod, based at Northwestern University in Evanston, Illinois; Eqbal Ahmad of New York City; and Nubar Housheian, who works for the Palestinian Red Crescent Organization, and acts as an liaison between the PFLP and ASALA.

### Taking over the U.S. Black Muslims

The U.S.-based Black Muslim movement, previously heavily factionalized, is now in advanced stages of consolidation into one apparatus under the direct control of Ayatollah Khomeini of Iran, along with Muammar Qaddafi of Libya. The new apparatus is to spearhead radical operations in the United States, including terrorist activities, to destabilize the Reagan administration. Circumstantial evidence accumulated in November points to the possibility that this network may be at the center of an assassination plot against President Reagan.

The focal point has been the reconciliation of the traditionally moderate American Muslim Mission of Wallace Deen Muhammed with Libya's top asset in the United States, Louis Farrakhan of the Nation of Islam. This coup, which was in the works for several months, has been so successful that during November, Wallace Deen Muhammed relinquished his position as the Iman of all the AMM Masjids (mosques) in the United States, and has merely maintained control over the Chicago masjid.

The reconciliation was announced in a joint statement by Farrakhan and Wallace Deen Muhammed in which they declared their intention to work more closely together. Sources in the AMM say that the merger was accomplished due to the intervention of "outside foreign Muslim forces," i.e., Khomeini and Libya's Colonel Qaddafi. The sources also say that there is every intention of bringing the Pan-African and black nationalist networks into a new working alliance with the Muslim apparatus.

Munir Umrani, the foreign affairs editor of the *AMM Journal*, who is not Muslim, has stated, "It seems as though Reagan is dying to shake his big stick. But I tell you, Third World countries are getting fed up, and particularly the world community of Islam. I think to everyone's surprise, Islam is finally coming together and will not let itself be torn apart by Reagan or anybody else who is out to destroy it."

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## CONFERENCE REPORT

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# Soviets refuse to deny

by Dana Sloan

Fusion Energy Foundation strategic analyst Criton Zoakos spoke to an overflow crowd of 170 at Georgetown University in Washington, D.C., Nov. 29, after a Soviet Embassy spokesman who had challenged Zoakos to a debate on President Reagan's beam weapons program, pulled out of the debate at the last instant.

The missing Soviet diplomat, Embassy Second Secretary Vitaliy Churkin, had vehemently objected to Zoakos's public charge on Oct. 26 that the Soviet Union is threatening a first strike against the United States to stop American beam weapons development. Churkin was fully involved in planning the debate until he was ordered out of it hours before it was to start. Zoakos is a spokesman for Lyndon LaRouche, Jr., the Democratic presidential candidate recently attacked in *Izvestia* as the most dangerous proponent of the Reagan defense policy.

Zoakos told the standing-room-only crowd of military, diplomatic, business representatives, and Georgetown students, that the government of the Soviet Union is in a total mobilization of its economy and population for a thermonuclear war which could be prevented by cooperation with Reagan's generous offer of March 23 for the cooperative development of defensive directed-energy beam technologies. The Soviets rejected that offer, however, because, as they made clear to LaRouche and his representatives personally at the time, they did not want to see the invigorating effects these war-avoidance technologies would have on the U.S. economy.

Zoakos noted that Mr. Churkin's last-instant pullout, citing "reasons" he refused to specify, was highly unusual.

"We do not yet know the complete significance of their refusal to challenge our charges. We have said that they are on a deliberate confrontation course, willing to risk thermonuclear showdown and, in fact, prepared for a first strike, though miscalculating that the American government and people will prefer strategic humiliation when faced with the imminent possibility of war. I believe Mr. Churkin holds no personal grief against me, but rather that this is a manifestation of the Soviet view of Mr. LaRouche, their view of the danger posed to their current course by his policy proposals."

There is no justification for this Soviet attitude, Zoakos charged; it is based on their agreement with Bertrand Russell's Pugwash Conference networks that technological development in the West must be halted. "In fact, these Pug-

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# first-strike policy

wash networks created the arms control movement for the purpose of artificially restraining scientific growth.

"The question is why, why did they reject this chance to avoid war? The answer is because the Soviets want to break U.S. military capabilities. The Soviets are preparing for war. In fact, they are not worried about the deployment of the Euromissiles. The real question is what the purpose of the massive Soviet buildup of intermediate range nuclear missiles is, and I present to you that this massive force is to be deployed against U.S. submarine capabilities. If we are correct about this, then the United States does not now have a deterrent capability against the Soviet Union! The only sane policy for the U.S. is to engage in the most rapid possible development of beam defense technologies.

"These were the points we intended to debate with Mr. Vitaliy Churkin," Zoakos said. "His decision not to show up was not a local decision. Whatever 'reasons' his government had for canceling are obviously more important to them than refuting our charge that the Soviet government is on a deliberate confrontation course. The current Soviet policy is to induce terror in their opponents. This tactic had a name in 1937-38: *Schrecklichkeit*, Hitler's attempt to terrorize his intended victim into capitulation, into appeasement. In particular, they are trying to terrorize Europe to split with the United States. They are counting on their friend Lord Peter Carrington becoming the new Secretary-General of NATO to push this appeasement through."

## Dr. Bowman pleads Soviet case

When Mr. Zoakos had concluded, an individual jumped up from the audience and said that in the absence of an official representative of the Soviet viewpoint, he would be happy to represent the opposition to LaRouche's views.

Identifying himself as Dr. Robert Bowman, the head of the Institute for Space and Security Studies, and formerly head of the Air Force division responsible for space research, he was allowed, in the interests of open discussion of these critical issues, to address the gathering for 20 minutes.

Dr. Bowman proceeded to outrage most of the audience by asserting that "it is my absolute firm conviction that all our military policies must be devoted to one overriding national goal—the prevention of nuclear war"—not defense of the nation, but "survival" and "the prevention of nuclear war." He blamed the United States for the "arms race." He

conceded that defensive beam technologies are imminently feasible, but undesirable because of a string of vulnerabilities he listed—all of which have been disputed by scientists who, unlike Bowman, are familiar with current research. "Star Wars systems would only accomplish one thing—get us into a war we do not want. Like it or not, our security is in the hands of the Soviet Union. These systems only make sense in terms of a country going for a first strike, and they give the ultimate incentive to strike first," Bowman said, giving the Soviet argument.

With the debate format thus reestablished, Zoakos observed, "You have just witnessed how the *Schrecklichkeit* strategy works. Mr. Bowman, you are frightened, frightened to face reality as it is. What I said is that the Soviet Union, *right now*, is on a thermonuclear confrontation course. Read Ustinov in *Pravda* of Nov. 21. He has declared the complete and total war mobilization of the U.S.S.R. And the Soviets are about to deploy the weapons systems you so deplore, so what you say makes no sense. The question remains: what if we do not go for these weapons and the Soviets do? Why are the Soviets not even willing to engage in arms control discussions on these systems? I am not talking for the U.S. government; I am talking for the LaRouche policy." He referred to LaRouche's private talks with the Soviets from early 1982: "We did not say the U.S. should develop these systems outside of cooperation with the Soviets—this became necessary only when the Soviets rejected our policy."

At this point, the audience of 170, all of whom had remained from the beginning when a press release was read detailing the sequence of events surrounding the Soviet official's challenge to debate and his last minute back-down, jumped in with an hour of lively questions, giving Zoakos an opportunity to elaborate the historic and scientific basis of the LaRouche program.

At 10:30 p.m. the new Fusion Energy Foundation film on "Beam Defense" was shown to answer more of the technical questions on these systems. The debate was filmed in its entirety by NBC-TV News and C-SPAN Cable Network, which will air it twice in early December.

It was the second time in a week that Robert Bowman had pleaded the Kremlin's cause in public. "I don't want beam weapons if they were perfected and worked today; I don't want them if they don't cost a penny; I wouldn't take them if you gave me \$150 million!" Dr. Bowman told an audience of defense specialists in McLean, Virginia on Nov. 27, in reply to a presentation on the strategic necessity of beam weapons by the FEF's Dr. Uwe Parpart-Henke.

Robert Bowman belongs to what the *New York Times* calls the "shadow cabinet," the arms control specialists who have built their careers around defending MAD and the reasonableness of Soviet arms negotiators, and are now actively sabotaging the President's beam weapons policy. He is affiliated with Delta Force, a project of the Stanford Research Institute which recruits career military officers and weapons scientists into group sensitivity sessions to "get in touch with their feelings."

## **Manatt, Mondale could be knocked out now**

Democratic chairman Chuck "Banker" Manatt and Walter Mondale could both be finished off now if Democratic and Republican "little shots" across the country would wake up and act.

So-called Democratic frontrunner Walter Mondale will see his campaign staff face charges on Dec. 13 for assault against Michael Gelber, a candidate for U.S. Senate in Massachusetts backed by the LaRouche-founded National Democratic Policy Committee. The Mondale staff, including former AFL-CIO official Paul Eustace, gave Gelber a concussion by slamming him against the wall, when Gelber publicly referred to the scandal involving Robert Pastor, the Mondale adviser who also worked for the KGB-backed Austin-Coard regime in Grenada.

Queried about this at New York's Summit Hotel on Nov. 29, Mondale turned purple despite his newly prepared answer, "I'm against extremism of any kind." The questions ended rather quickly after that; the Nov. 30 *New York Times* reported how Mondale's press conference ran into a tight spot. And on Nov. 29 in Portsmouth, New Hampshire, it was NDPC questioner Bill Ferguson, and not Walter Mondale, whose picture was on page one of the *Portsmouth Evening News*.

Mondale's lead in the polls is already crumbling against movie-flop John Glenn, and Mondale has said he's taking nothing for granted in the New Hampshire vote. Despite the media's claim that the Glenn's late-November assault on Mondale's defense record was a failure, the evidence is to the contrary. It is no secret that nuclear freeze candidate Walter Mondale has opposed virtually every defense pro-

gram to come down the pike throughout his political career.

Enter Democratic National Chair Chuck Manatt, who has the greatest talent in Democratic memory for transforming every tiny disagreement into a bitter feud. At Fordham University on Nov. 30, Manatt became totally flustered when introduced as "a prominent Democratic banker." Manatt shocked the mild-mannered academic audience when he refused to answer this reporter's question on whether the Democratic Party will support laser beam defense in the face of escalating Soviet provocations. Manatt later admitted that both he and Mondale are "shaken" by the NDPC's charges.

On Nov. 30, at a Georgetown University debate on the Soviets' first-strike intentions between *EIR's* editor-in-chief and a no-show Soviet representative (see article, page 58), the DNC's College Young Democrats passed out a leaflet stating that the NDPC "certainly should not be regarded as representative of the views of the Party"!

## **Manatt adamant on the primary dates**

Manatt has remained intractable on the dates for the early Democratic primaries, and opportunist presidential candidate Alan Cranston has moved in to take advantage. Cranston's campaign manager Sergio Bendixen wrote Manatt on Nov. 22 that Cranston was pulling out of the DNC's five-city "presidential sweep" fundraisers on Dec. 5-6 to protest Manatt's handling of the Iowa and New Hampshire date disputes.

Bendixen's letter said that "nearly every Democratic presidential candidate has agreed" to the Feb. 20 date for Iowa and Feb. 28 for New Hampshire. . . . There is no reasonable explanation why our national party has refused to recognize the legitimacy of

their agreement."

Cranston's pullout followed the DNC's Nov. 21 announcement that the DNC was dropping its St. Louis stop, due to precious little interest in a \$500-a-plate luncheon there. The DNC has officially downgraded the amount it hopes to raise on the swing from \$2.4 million to \$1.9 million.

Cranston may hope to ambush Mondale in Iowa, where Mondale's people on the State Democratic Committee fought for the Manatt date and lost, or even in New Hampshire. Both the New Hampshire and Iowa chairs have claimed that Manatt's feud is hurting Democratic campaigns to defeat Republican Sens. Gordon Humphrey (N.H.) and Roger Jepsen (Iowa).

## **Jackson trying to pull blacks behind Mondale**

The only question about Jesse Jackson's campaign is how soon it will move into Mondale's offices. These suggestions enrage Jackson, another proof that they are true.

Jackson fits today with Mondale just as well as he did during the Carter Administration. During the Billygate affair, Jackson interceded with Qaddafi's Libya for the Charter Oil Company, and was told by governmental authorities to register as an official agent of Libya. KGB puppet Qaddafi is currently engaged in killing black Africans in Chad who are trying to defend their national sovereignty.

There are many unanswered questions about Operation PUSH's finances. When Jackson's PUSH sued the *St. Louis Sentinel* for charging that it had a "kickback" approach to black contracts, the suit was quickly settled out of court after a federal judge ruled in October that PUSH had to hand over its financial records. Finally, Jackson's promised Nov. 15 date to "open the books" on PUSH has come and gone without that momentous event, and no new date is scheduled.

## Philadelphia press reports on Operation Power Grab

Titled "Kissinger Said to be Preparing for a Comeback," a Nov. 20 column by *Philadelphia Inquirer* diplomatic correspondent James McCartney reports that "one of Kissinger's closest friends" (known to this writer to be Kissinger's longtime associate Helmut Sonnenfeldt) said, "Henry hasn't changed, he wants to run the world," and is campaigning for the post of Secretary of State as a steppingstone toward that ambition.

McCartney writes that in addition to using his official position as chairman of President Reagan's National Bipartisan Commission on Central America to stage a number of publicity events on behalf of his ambitions, Kissinger, through his "young boy" network of protégés, the "Kissintern," has already gained significant influence in policy areas well beyond his official responsibilities regarding Central America.

The columnist points out that through his former assistant and current employee in Kissinger Associates, Gen. Brent Scowcroft, Kissinger dictated the key aspect of this year's Scowcroft Commission report on strategic policy—the decision to junk Reagan's policy of ICBM modernization in favor of a deployment of less accurate, weaker, and more easily intercepted "mobile, single warhead" Midgetman missiles. In addition, McCartney says, Kissinger exerts broad policy influence, most notably on the question of reaching a "new strategic agreement with Israel," through his friend Secretary of State George Shultz, his former valet Lawrence Eagleburger, now the third most powerful official in the State Depart-

ment, and his former assistant, Robert McFarlane, who replaced Kissinger opponent William Clark as National Security Adviser. McCartney draws the obvious connection between Kissinger's public call for a new military alliance with Israel, and the dispatch days later of Eagleburger to Israel for discussions on "broad strategic issues."

In revelations whose implications should be most damaging to Kissinger's campaign, McCartney reports that close associates of Henry's told him that the good doctor's recent resort to "anti-communist" rhetoric echoing President Reagan's own positions is a sham.

"Kissinger and most of those who have worked with him are part and parcel of the long-standing Eastern Establishment approach to foreign policy," McCartney reported. "Says one of Kissinger's disciples . . . 'We believe in power politics [but] none of us believes the Soviet Union is evil incarnate and that we can't live unless we drive a stake through its heart. . . .'"

Henry didn't sound particularly "conservative," though, when for some reason the American Dental Association featured him as a speaker on Nov. 30 in New York. He declared that there is really no problem in working things out with the Soviets (since their economy is falling apart), and promised that they would soon be back at the bargaining table. He then called for the obliteration of the presidency in favor of "bipartisanship," the watchword under which the Pugwash arms-control network has forced its policies onto the Reagan administration. Kissinger also stated categorically that he opposes President Reagan's efforts to save the sovereignty of Lebanon.

In any case, behind Kissinger's cynical chameleon routines is a story McCartney did not report. That is the intent of Kissinger and his business partner, former British Foreign Sec-

retary Lord Peter Carrington, to suppress the sovereignty of nations under the heel of a compact between Lord Carrington's aristocratic sponsors and the Russian Empire strategists in the Kremlin.

Kissinger's role in all this has been efficiently described by the oft-repeated claim of Egon Bahr, the leader of the German Social Democratic Party's *Ostpolitik* faction, that a "permanent accord" was reached between Europe, the United States, and the Soviet Union, during Kissinger's last tenure as Secretary of State. When asked how he can be so sure, Bahr replies, "Me, Kissinger, and Agentov [Alexandrov Agentov, Brezhnev's former personal adviser, who retains his position in the Andropov regime] worked it all out. We have divided the world between us."

## Tales from the crypt: how Henry tortured Helmut

Seymour Hersh reports in his book *The Price of Power*: "Once, during a high-level meeting on SALT negotiations, Kissinger humiliated Sonnenfeldt before half a dozen of his peers among the government's experts on the Soviet Union. As one participant recalls the incident, Sonnenfeldt had come to the meeting wearing a back brace—the result, Sonnenfeldt explained, of tension and overwork.

"At one point a paper clip on Kissinger's desk fell to the floor, perhaps accidentally, and Sonnenfeldt bent over and picked it up. A few moments later, the clip fell again, and again Sonnenfeldt laboriously reached over to retrieve it. Some of the participants noticed the interplay—with trepidation. When the clip fell for a third time, it was clear to everyone that Kissinger had deliberately pushed it off his desk. Sonnenfeldt picked it up. Everybody looked at Kissinger and he said, 'Some of you may wonder what Sonnenfeldt does here and now you know.'"

# National News

## Graham challenged by FEF's Parpart-Henke

The strategic necessity of beam-weapons development was argued by Uwe Parpart-Henke of the Fusion Energy Foundation at a seminar in McLean, Virginia on Nov. 27 sponsored by the Technical Marketing Society of America.

Parpart-Henke stressed that the adoption of the strategy of Mutually Assured Destruction (MAD) made inevitable its corollary: the proposition that Europe is indefensible by the U.S. strategic arsenal, and will be sacrificed to the Soviets when and if they reject MAD unilaterally with the onset of a war.

"The doctrine of 'flexible response' is the fundamental threat to the NATO alliance," said Parpart-Henke, "and it accepts the premise of Soviet strategic designs since the end of World War II: the separation of Europe from the United States."

Addressing himself to Lt. Gen. (ret.) Daniel Graham, the leading spokesman for the High Frontier conventional-technologies ABM proposal, who was present, Parpart-Henke said: "With High Frontier you cannot defend Europe. If you want to decouple Europe from the United States as the Soviets do, then go with High Frontier."

The next speaker, Robert Bowman, a veteran of the Pugwash arms-control circuit and the "touchy-feely" circuits within the Pentagon, jumped to the podium and proclaimed: "If we build these weapons, the Soviets will have to do something drastic. They will launch a first strike. We must avoid this and not do anything which will break off negotiations. . . ."

A question from the audience: "What do you propose to do about the fact that the Soviets are already on a first strike course?" Bowman's answer: "We must be careful what image we project to them. . . . We should be careful to not project an image which will antagonize them." Asked "What are we supposed to do when the Soviets develop beam weapons?" He sputtered, "Well, ah, all I know is if we do this they

will definitely launch a first strike . . . take drastic actions . . . ah, I suppose the United States would have to do something similar. . . ."

## Morgenthau rejects West Bank compromise

New York District Attorney Robert Morgenthau has criticized the Reagan administration for pressuring Israel to give up the occupied West Bank in exchange for a peace settlement with the Arabs. "The administration seems to believe that Israeli control over the area will make Arab antagonism irreversible," he wrote in an op-ed in the *New York Times* Dec. 1. Morgenthau denies that this is the case.

The district attorney is not only a long-standing advocate of Israeli control over the West Bank, but is a leader of an organization called PEACE, the acronym for "Prevention of the Emergence of an Arab Country in Eretz Israel." Morgenthau's ally in this project is Israeli hardliner Ariel Sharon, who was the featured guest at a PEACE convention several years ago.

PEACE has been implicated, along with Henry Kissinger and Britain's Lord Peter Carrington, in a West Bank real estate scam, whereby large tracts of Arab-owned land have been bought up by Israelis and American Jews. The scam has two purposes: to ensure that the West Bank is never surrendered to the Arabs, and to pocket millions from real-estate speculation.

## Teller: defensive weapons possible in five years

Dr. Edward Teller, in an interview in the *Los Angeles Times* of Nov. 28, called for an intensified drive to develop new defensive weapons systems. Teller, who is known as the father of the American hydrogen bomb, is a scientific adviser to the Reagan administration. The United States could have a

"credible accomplishment" in this area within five years, he said.

Teller scored U.S. politicians who take a "head-in-the-sand approach" to civil defense because they think that nuclear war is "unthinkable." Nuclear war is "disagreeable" but it is not "unthinkable," he said. "Civil defense is an inexpensive and humane way to create uncertainty about the outcome of aggression."

"Protective deterrent weapons are ingenious, new and real. They are not 'Star Wars'." It's more complex than that. 'Star Wars' is another one of those simplistic statements by which something new can be dismissed."

"By the year 2000, I hope that 5 percent of our spending will be on retaliation and 95 percent on defense," Teller said.

Teller points out that the U.S.S.R. had deployed weapons to shield Moscow from nuclear attack "more than a decade ago" and has recently upgraded this protective system. He states that Soviet military superiority is in "quantity and perhaps quality" so indisputable that the only issue left to decide is whether that superiority is "great or overwhelming."

Teller says that if scientists were able to talk about classified information, at least about "general ideas, which will leak anyway," the public would be able to see through the cloud of misinformation. "Technical know-how can be kept secret, but not the principles of how a defensive nuclear weapon works."

"Unfortunately," continues Teller, beam-weapons opponents "cannot accept the fact that defensive nuclear weapons use the concentration of energy, not a great amount of explosive power, to produce discriminating instruments, not for mass destruction, but effective against weapons already in action." Nuclear freeze advocates "talk as if all nuclear weapons were equally terrible. They fail to give thought to the difference between a sword and a shield, figuratively speaking."

The effect of nuclear war on the human spirit would be catastrophic, adds Teller, but "nuclear apocalypse is a myth. Neither radiation nor atmospheric effects from any possible nuclear war would destroy life on the planet."



Teller concluded that "whatever scientists are able to discover or invent, people will be good enough and wise enough to control for the ultimate benefit of everyone."

## **Tribune hits Bundy's 'dumb' defense idea**

*Chicago Tribune* columnist Raymond Coffey, in a Nov. 27 article titled "Brightest Say Dumbest Things," slammed McGeorge Bundy (whom he characterized as one of the "Kennedy-Johnson era shining lights who brought us the Vietnam War") for proposing that if the United States is attacked with nuclear weapons it should respond with a "substantially" smaller attack and one that would not destroy the Soviet Union's political leadership.

Bundy claimed at a forum in Washington, D.C. recently that in order to "negotiate a speedy end" to a nuclear war, the enemy chain of command would have to be left intact.

Coffey commented: "If nuclear war cannot be won, it can be lost. And if the other guy hits you and you don't hit him back, it would seem to me, you are pretty well on the way to losing. . . . Just about the best way to tempt someone to start a nuclear war is to let him know he's going to get off easy."

## **Hodel's trip to Gulf distresses Soviets**

Energy Secretary Donald Hodel made an unusual visit to the oil exporting states of Saudi Arabia and the United Arab Emirates at the end of November to deliver messages to those governments from President Reagan.

The White House is reportedly requesting closer cooperation with the OPEC countries in managing a threatened international oil pricing crisis. With oil demand continuing to fall, the oil price is expected to continue its downward slide. Some analysts think that Reagan may be asking for closer

cooperation in protecting Gulf oil flows against disruption by Iran's Ayatollah Khomeini and the Soviet Union, in light of speculation in Washington about a Soviet military move into northern Iran.

Moscow radio Nov. 17 denounced Hodel for his address to a group of ministers of the UAE in Abu Dhabi, where he pledged U.S. support for maintaining the flow of Gulf oil. The Reagan administration is using the oil issue as an excuse for a military build-up in the Gulf, the broadcast charged.

## **Weinberger reassures Europe on ABM policy**

In an interview Dec. 1 en route to Paris, Defense Secretary Caspar Weinberger insisted that the United States has no intention of developing anti-missile systems in order to create a "Fortress America" and leave Europe in the lurch. On the contrary, Weinberger stressed, "we have no such suggestion of any kind we're giving up. . . . the strategic umbrella"; what we are doing is continuing "the modernization of the deterrent." A senior defense official on the flight emphasized that Weinberger's aim is a "thoroughly reliable, multi-layered defense." According to the *Washington Post*, "officials aboard the plane and in Washington also made clear that the program will be given relatively modest funding next year and will remain centered on research rather than quick deployment."

Before leaving for Europe, Weinberger stunned Republican Senate leaders by unveiling the administration's 1985 defense budget request, which calls for a \$55 billion increase over current fiscal year levels, and would restore funding levels to Reagan's original track for a higher rates of defense spending before the congressional budget-cutters went into action.

Such a large increase is "going to be hard to sell," warned Robert Dole, chairman of the Senate Finance Committee. "If we're talking about shrinking the deficit and coming in with a big, big, big defense increase, I would just say to Secretary Weinberger, in all kindness, 'You're going to lose.'"

## **Briefly**

● **TOM HAYDEN'S** Campaign for Economic Democracy is being sued for fraud. It seems that when his wife Jane Fonda was putting her "Work-out" exercise record together (which sold 2 million copies at \$12.99 each), she asked all the singers whose songs were used as background music, along with CBS Records, to donate their millions in royalties to cancer research. The singers got suspicious when the album came out and there was no acknowledgement of their contribution to cancer research on the album cover, just a "thank you" from Fonda. The CED has had to admit that the money went directly to it, and not to cancer research. Said CED spokesman Jack Nicholl, "We are involved in cancer research, but not in the 'doctors in white coats looking for a cure sense.' What we do is to support efforts to change public policy and make people aware of the environmental dangers which cause cancer." Said one singer's agent, "Who do they think they're kidding?" Tom and Jane have refused all comment.

● **ALEXANDER KING**, co-founder of the Club of Rome, was seated just behind Rev. Sun Myung Moon at the 12th International Conference on the Unity of the Sciences (ICUS) in Chicago on Nov. 24-27. King is currently chairman of the International Federation of Institutes for Advanced Study in Paris, and, as a NATO policy maker, spearheaded the "education reforms" of the 1960s which helped create the counterculture and environmentalist movements.

● **ROBERT VESCO**, the fugitive Dope, Inc. financier, visited Geoffrey Bourne's St. Georges University in Grenada shortly before the Soviet-run Austin-Cord coup, say intelligence sources. Vesco was getting a "medical checkup."

● **RAMSEY CLARK**, the terrorist defense lawyer who helped install Khomeini in power, has been retained as a legal adviser to one of Grenada's Gen. Hudson Austin, now in prison.

## Editorial

### *Why Moscow is in a hurry*

Washington, D.C. was still asleep in early December. Those entrusted with safeguarding the survival of the United States have not faced up to the threat before us. The fact is that the Soviet government is committed to an early strategic confrontation with the United States, risking war in the expectation that the United States will back down, and in backing down will provide Moscow such extensive concessions that Soviet military superiority will be unchallengeable for the decades ahead. What is in progress now is a rapid escalation toward a brutish test of national wills.

The factors which make Soviet acceptance of such horrifying risk possible now are chiefly five.

1) **Relative Soviet military superiority:** The Soviet Union presently possesses a significant margin of military advantage over the United States. On condition that the U.S. nuclear missile submarine force is successfully tracked and targeted by SS-20s, a simultaneous counterforce first strike by Soviet forces against the United States would provide the Soviet Union a possible margin of war-winning potential, unless the U.S. missile-forces were on full alert and deployed under launch-on-warning status. Meanwhile, new generations of Soviet missiles are being deployed massively, with strong indications that new ABM-treaty-violating antiballistic missile systems are being put into place.

2) **The economic depression in the West:** Although U.S. goods output collapsed by only 4 percent during 1983, the rate of collapse in the United States was slowed by inflationary measures which accelerated the collapse in Western Europe and in world trade. This reduces the willingness of the West to rebuild its defenses, and the economic collapse of Europe and developing nations has grave political and social effects advantageous to the Soviet leadership's intended confrontation.

3) **The imminent international financial collapse:** Since the summer of 1982, the Bretton Woods monetary system has been at the brink of a 1931-style international financial collapse which will probably wipe

out \$1 to \$2 trillion of paper values and banking assets. Although desperate measures have postponed the official collapse of nearly \$300 billion of Ibero-American debt, these measures are merely temporary, and do not address the threat of a chain reaction of bankruptcies in Western Europe or the United States. This threat of financial collapse has the U.S. government pinned down.

4) **The crumbling of the Atlantic Alliance:** The Soviet-coordinated international nuclear freeze movement and the political effects of the economic depression threaten to tear apart the Atlantic Alliance. Large Soviet-linked forces in Germany are committed to a scale of disruptions intended to make that nation ungovernable during the weeks ahead. Greece has already pulled out of NATO in effect; such tendencies are spreading throughout Europe. In the United States, the nearly monolithic support for nuclear freeze candidate Walter Mondale in the Democratic Party, plus some soft liberals among Republicans, is weakening the government's political will.

5) **1984 is an election year:** Even among the President's supporters, Nervous Nellies among political advisers are cautioning that no divisive issues, especially no abrupt decisions be made between now and the November 1984 elections.

There is little time to persuade Moscow to call off its lunacy; a Manhattan Project-scale beam-weapons program is the only way to do it.

There is little doubt that were he re-elected in November 1984, President Reagan would immediately launch the equivalent of a war-emergency powers order, and a full-scale World War II-style economic mobilization. At that point the calculable margin of Soviet advantage in launching a global confrontation would begin to disappear. Therefore, we must estimate that Moscow will escalate to full-scale thermonuclear confrontation before the end of the first six months of 1984—unless something happens very quickly to persuade Moscow to call off this lunacy.

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