

EIR

Executive Intelligence Review

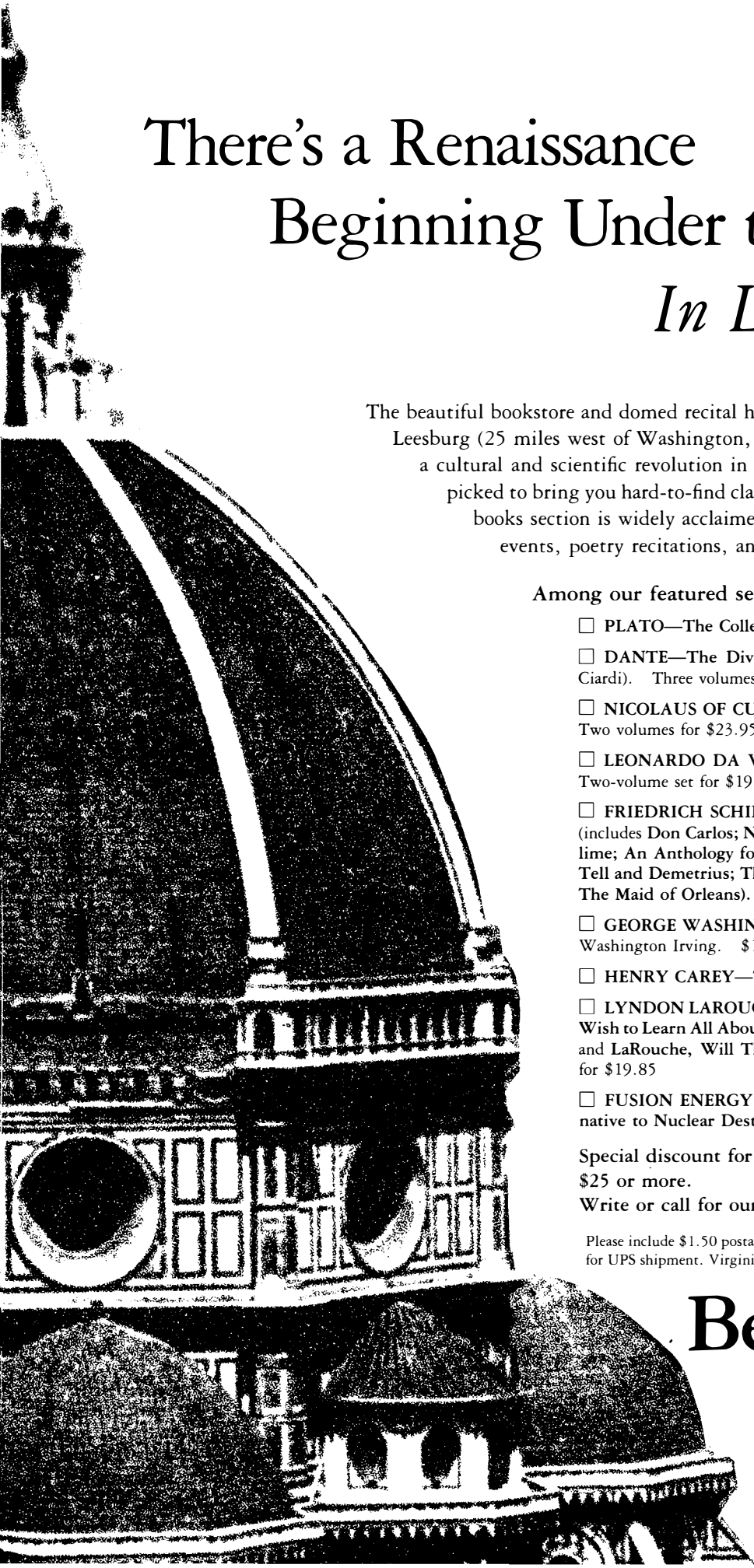
April 16, 1985 • Vol. 12 No. 15

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Portuguese leaders to EIR: U.S. policy must shift
Kissinger's hand behind "trade war" with Japan
How Syrian intelligence runs the Temple Mount plot

**Weinberger warns: Soviets
to have SDI by late 1980s**





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EIR

From the Managing Editor

In this issue, inaugurating a new *Investigation* section, is a name-by-name exposé of the Aleppo, Syria Jewish mafia, the real cement in the collaboration between Syria's Assad brothers and the Sharon/Israeli mafia's "Temple Mount" plot in Jerusalem. Aleppo is the proper name for a major force in international guns-for-drugs traffic—and a major security threat to the West.

This is only for starters. Subsequent *EIR Investigations* will leak more such sensitive information. You could not get this information even with the highest security clearance.

In mid-March, Laurent Murawiec and Elisabeth Hellenbroich of *EIR's* Wiesbaden offices visited Portugal. The result is this week's *Special Report*, on a poor but potentially vital American ally. The views, aspirations, and difficulties facing Portugal's leadership—on the eve of a visit from President Reagan—are comprehensively presented in interview format.

Notable is the statement by Secretary of Defense Weinberger in his important April 2 press conference (see *National*), under questioning from *EIR*, that any attempt by the International Monetary Fund to subject the United States to "surveillance"—budget cuts, emphasizing defense—would be "a serious infringement on our own sovereignty." The statement comes on the eve of an IMF Interim Committee meeting (April 17) which intends to do just that (see *Economics*).

I also call your attention to the *EIR Document* which begins on page 6, showing that current trade-war measures against Japan can have no purpose except Moscow's strategic goal of driving the United States from Asia, the Mideast, and Europe. And, we delight in being able to report (*National*), that only weeks after Lyndon LaRouche's "general staff order" for a shooting-war on drugs, important features of that plan are being put into place by governments and security agencies of this Hemisphere.

Vin Berg

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24 The strategic role of Portugal's fight for economic progress

When President Reagan visits, he will find that one of America's poorest allies is also that most committed to the Atlantic Alliance, the President's Strategic Defense Initiative, and to "waging a fight for the development of Africa to regain it from communism." The major problems facing the country? The IMF and the U.S. State Department.

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The nationalists around the army, the King, and the former President must not wait for a "green light from Washington" if they hope to save their nation from the Kremlin's "great game" in the Eastern Mediterranean.

40 Western Hemisphere war on drugs has started to get serious

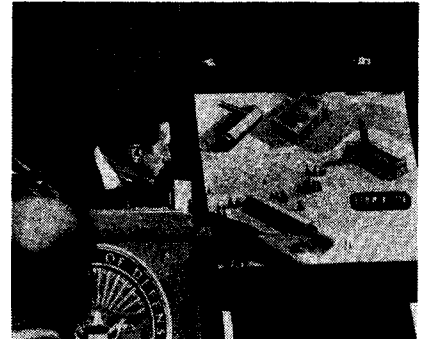
Within only two weeks of Lyndon LaRouche's call for a real, "shooting-war" on drugs, major features of his general staff order in that regard are being picked up for implementation.

Documentation: An editorial statement from *Diario de Caracas*.

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Correction: Our April 2 issue contained a serious paste-up error in the article entitled, "U.S. cold shoulder to President Mubarak threatens Soviet victory in Mideast." On page 35, the three paragraphs beginning "The United States should take leadership in initiating such projects . . ." belong at the *end* of the article. We apologize for the misleading impression of policy conveyed by this error.

National



NSIPS/Leo Scanlon

Defense Secretary Caspar Weinberger presents the Pentagon's new assessment of Soviet military power, at an April 2 press conference in Washington, D.C.

50 Weinberger: Soviets ready missile-defense 'breakout'

The U.S.S.R. seeks a "monopoly" on missile defenses, will have a nationwide conventional ABM "operational in the late 1980s," and has gone beyond research to begin actually developing prototype laser weapons, reports the Defense Secretary.

Documentation: Excerpts from his April 2 press conference.

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IMF readies surveillance over the U.S. economy

by Kathleen Klenetsky

According to all available reports, the meeting of the International Monetary Fund's Interim Committee which opens in Washington April 17 will dictate a package of policies to the "Free World" economies that would make Nero blanch.

The IMF's diktats will apply not only to Third World economies, which are all too familiar with the bloody price exacted by this gang of elegantly dressed loan sharks, but to the advanced-sector nations as well—with emphasis on the United States.

Stripped of their verbiage, the IMF's marching orders amount to the following:

- Third World countries must legalize their domestic drug traffic in order to repay their debts.
- The more advanced nations must submit to the same kind of murderous "conditionalities" which have already devastated Africa and Ibero-America.
- The United States must accept deep cuts in defense spending.

This agenda for the meeting—already worked out in detail by the Swiss, British, and other oligarchical powers which run the International Monetary Fund at the top—was disclosed at an April 2 press conference sponsored by the Washington-based International Institute for Economics (IIE).

IIE is headed by C. Fred Bergsten, a former top economics official in the Carter administration and leading participant in the Council on Foreign Relations' "1980s Project," the pre-Carter studies by subsequent officials in the Carter administration (Vance, Brzezinski, Blumenthal, et al.) which called for "controlled disintegration" of the world economy.

The IIE functions as a think tank for the international creditors' cartel, the so-called Ditchley Group. The press conference was called to release a new IIE report, *Bank Lending to Developing Countries: The Policy Alternatives*, detailing a set of measures to be adopted at the upcoming IMF meeting that would ensure the integrity of the international debt structure.

Co-authored by Bergsten and fellow IIE economists William R. Cline and John Williamson, the report proposes:

- strengthening the powers of the IMF;
- continuing IMF conditionalities;
- forcing Third World countries to sell off their equity as a guarantee of future loans;
- bringing more financial institutions, both public and private, into the pool of credit sources;
- absolutely *no* debt forgiveness.

That last point was repeatedly stressed at the IIE's press conference. "We must avoid any kind of debt forgiveness or moratoria," Bergsten and his fellows insisted at every possible opportunity. "That would be a bad idea, not just for the banks, but for the debtor countries as well. They would write themselves out of the credit market."

Grow dope, give up defense

But the more interesting line emerged after the press conference, when *EIR* cornered Williamson, an adviser to the IMF and former "economic consultant to Her Majesty's Treasury." Asked if he agreed with the view pushed by various oligarchical spokesman, including the powerful Swiss

financial newspaper, *Neue Zürcher Zeitung*, that legalizing drugs would enable developing-sector countries to better service their debt, Williamson replied:

"Oh, yes. I'm very sympathetic to that view. If countries like Colombia could tax their drug traffic, they could reap tremendous revenues, and that would certainly help their debt situation."

Williamson added that laws prohibiting drug use in countries like the United States are "utterly absurd" given that "so many people are using cannabis and other drugs in our cities. We could solve the crime problem in our cities and the debt problem at one stroke by legalizing drugs."

Williamson also confided to *EIR*, "Of course, the issue of extending IMF surveillance to the U.S. will come up" at the IMF's Interim Committee meeting. In fact, Williamson disclosed, this will be a major focus of the Fund's discussions, and the major immediate target will be the U.S. defense budget.

"The IMF is somewhat reluctant about taking on the defense issue directly, because it's such a sensitive issue," said Williamson "We prefer to work through technocrats in the [U.S.] government itself to get our views across."

IMF moles

As Williamson himself was quick to point out, there are plenty of such "technocrats" in the U.S. government right now who are willing to sell out American national sovereignty to supranational controls. Williamson identified U.S. Treasury official Charles Delarra—who simultaneously functions as the U.S. executive director at the IMF—as one such technocrat, and indicated that both White House Chief of Staff Don Regan and Treasury Secretary James Baker subscribe to the IMF's goals.

Williamson's estimate has been more than borne out by statements Baker and Regan have made recently about the need to slash U.S. defense spending and create a "small committee" inside the IMF to issue regular "report cards" on the U.S. economy, complete with policy dictates.

But perhaps the strongest signal of the intentions of leading monetarists within the Reagan administration to sell out the President's commitment to defend the United States was the speech given by Federal Reserve chairman Paul Volcker at the Atlantic Bridge conference in Dallas, Texas March 31. In a statement the *Washington Post* described as "distinctly different from that of the Reagan administration," Volcker called for the acceptance of "hard ways" to get greater stability on the international currency markets.

"Certainly the exchange rate today is too important an economic variable to ignore in our policy-making," Volcker pontificated. The Fed chief's reference-point was the mass of complaints from Europeans and the Third World about the U.S. budget deficit and the outrageously overvalued dollar—a groundswell which the IMF and international bankers plan

to use to create a special surveillance committee within the U.S. government.

U.S. government support for genocidal IMF conditionalities for the Third World and Western Europe has created conditions under which most of the world's nations would be only too glad to see the IMF put the United States through the wringer. A spokesman for the American Enterprise Institute, a key Republican think tank in Washington, told *EIR* that a number of Third World countries would be exerting pressure at the upcoming Interim Committee meeting to do just that. Should this occur, however, it will only be the Soviet Union which is the winner—as the U.S. defense budget and real economy is further sacrificed on the altar of "cutting the deficit."

The President's dilemma

The policies of the IMF pose a real dilemma for President Reagan. On the one hand, he has been convinced by his economic advisers—Don Regan above all—that he must support the IMF if he wishes to avoid a global debt blow-out. On the other hand, the IMF is attacking two of the programs to which the President is most strongly committed: the strengthening of U.S. military forces and development of a strategic defense; and the war on drugs.

Indeed, the same day that IMF adviser Williamson was discussing the need for extending surveillance to the United States, Defense Secretary Caspar Weinberger termed any such move a "serious infringement" on U.S. national sovereignty (see article, page 52). And two days later, the President himself joined with Colombian President Belisario Betancur to declare himself "irreversibly committed" to wiping out global drug traffic.

The President can't have it both ways: Either he makes a total break with the IMF and the financial powers it represents, or his war on drugs—which traffic, as Williamson's statements indicate, is itself an IMF "conditionality"—will become a farce. Either Reagan breaks with the International Monetary Fund, or he will find himself increasingly stripped of real power, as the United States is stripped of military and economic power. The President who garnered one of the greatest landslide victories in American electoral history will find himself relegated to the same role played by the puppet presidents of banana republics.

The best strategy for President Reagan at this point is to bring his economic policy into accord with his Strategic Defense Initiative, by endorsing the call of Helga Zepp-LaRouche for an Indira Gandhi Memorial Summit, at which the countries of the North and South would meet to work out a real solution to the global economic crisis, one based on a credit system designed to promote a second, worldwide industrial revolution. To that conference, not a single official of the suddenly defunct International Monetary Fund would be extended an invitation.

Escalating 'trade war' with Japan part of Kissinger moves to topple pro-SDI Nakasone government

In the latest round of "trade negotiations" between the two nations, the United States is pressuring Japan to lower the standards for telecommunications equipment, so that U.S. equipment of poorer quality might be dumped into Japan's internal market. Among highly placed circles in Asia, this action is seen as an integral part of Henry A. Kissinger's continuing efforts to undermine the pro-SDI government of Prime Minister Nakasone.

U.S. government circles defending the latest turn in U.S. trade negotiations, insist that the Executive Branch is acting under heavy pressure from within the Congress. It is true that trade unions such as the United Auto Workers, and other local interests in various parts of the U.S.A., insist that the increasing percentile of Japan-made imports in total U.S. final goods sales does represent a heavy burden on the U.S. economy. However, the kinds of measures demanded of Japan will do nothing to reduce the soaring U.S. trade-deficit overall, or halt the accelerating collapse of the United States' agricultural and industrial goods-producing sectors. The only significant effect of the present trade negotiations will be to aid in Kissinger's present efforts to pull the United States, strategically, out of Europe, the Middle East, and Asia.

The United Auto Workers' statisticians are correct when they emphasize that foreign-manufactured parts are a zooming percentile of the total value of a vehicle produced by a U.S. manufacturer. This is true not only of the U.S. textile, electronics, auto, and steel sectors. Across the board, in all categories of products, U.S. manufacturers and resellers prefer the added profits of cheaper, and often better-built, foreign products. However, the UAW is mistaken in believing that foreign producers are closing down U.S. production. It is "Wall Street" and the "environmentalists," not Japan's industries, which are shutting down one large chunk of U.S. production after another.

It is not Japan, but Paul Volcker and the Swiss bankers, who have made foreign imports vastly cheaper than U.S. production, by running the dollar up to about three times its true value in terms of goods-content. For example, while the U.S. dollar is priced at about three West German deutschemarks, one deutschemark in a West German supermarket will buy as much as one dollar in a U.S. market. With cur-

rently inflated levels of the dollar, U.S. electronics exporters, for example, can not compete in price or quality with Japan's electronics on the world market. Not only are U.S. exports vastly overpriced, and imports vastly underpriced; lack of capital investment in new technologies in U.S. industries have left U.S. manufacturing technologically inferior to the modernized industries of foreign traders. Meanwhile, traditional markets for U.S. capital-goods exports, such as Mexico and South America, are being collapsed by the "IMF conditionalities" so far supported by the U.S. government.

Even if Japan's foreign-trade policies were a cause for the collapse of U.S. production levels, which they are not, the most vital strategic interests of the United States require that no assistance be given to Kissinger's current efforts to undermine the Nakasone government. On this point, most of the thinking around the administration and Congress is perhaps sincere, but badly mistaken.

What's wrong with the dollar?

Part of the problem is that the President's leading economic advisers, including former Treasury Secretary Donald Regan, are infected by absurd ideas. They "sincerely" do not know the difference between money and real wealth. While U.S. agriculture and basic industries are collapsing, the administration sincerely believes that increased employment in unskilled "services," such as fast-food stands, is a sign of "economic recovery." True, the levels of reported money-income have been rising over the 1983-85 period to date, but the levels of production are still below levels during the Carter administration, and whole chunks of U.S. production are continuing to collapse. As a result, one dollar, priced at three deutschemarks, buys about the same amount at the local supermarket as one deutschemark. So far, the administration and Congress have either ignored such simple facts, or simply can not make heads or tails of the simplest economic facts available to them.

How is it possible that national income, measured in money-terms, can be rising, while levels of production continue to collapse? Any intelligent layman can understand this problem, whereas Washington's professional economists can not.

Table 1. Estimated expense-cost ratio compared

| | 1950 | 1960 | 1970 | 1975 | 1980 | 1982 |
|---------------|--------|--------|--------|--------|--------|--------|
| United States | 1:1.79 | 1:2.69 | 1:2.93 | 1:4.23 | 1:4.13 | 1:4.66 |
| Japan | 1:0.98 | 1:1.37 | 1:1.11 | 1:2.17 | 1:2.16 | 1:1.60 |
| West Germany | 1:0.87 | 1:1.63 | 1:1.51 | 1:1.87 | 1:1.77 | 1:2.80 |
| Britain | 1:1.86 | 1:1.89 | 1:1.96 | 1:1.79 | 1:2.69 | 1:3.18 |

Table 2. Operatives as percentage of labor-force

| | 1950 | 1960 | 1970 | 1975 | 1980 | 1982 |
|---------------|------|------|------|------|------|------|
| United States | 31.0 | 28.1 | 27.1 | 23.9 | 23.5 | 21.2 |
| Japan | 41.8 | 38.3 | 35.9 | 31.6 | 29.5 | 28.7 |
| West Germany | 45.5 | 41.9 | 38.8 | 34.9 | 33.4 | 31.9 |
| Britain | 41.9 | 38.8 | 35.5 | 31.8 | 28.8 | 26.2 |

Table 3. U.S.A. output per member of labor-force

| Category | 1950 | 1960 | 1970 | 1975 | 1980 | 1982 |
|----------------|-------|-------|-------|-------|-------|--------|
| Electricity | 5.16 | 10.45 | 17.83 | 20.23 | 21.46 | 20.75a |
| New Steel | 1.02 | 0.93 | 1.06 | 0.84 | 0.64 | 0.40b |
| Machine Tools | 1.13 | 0.86 | 0.86 | 0.98 | 0.83 | 0.53c |
| Motor Vehicles | 104.3 | 92.6 | 77.7 | 70.9 | 59.9 | 47.0d |
| Housing | 17.5 | 20.3 | 17.1 | 12.4 | 12.3 | 10.0e |

a = thousand kilowatts per worker
 b = tons per worker
 c = # of units per 1,000 workers

d = # of units per 1,000 workers
 e = # of units per 1,000 workers

The way to think about a nation's economy, is to think of it as a kind of consolidated agro-industrial enterprise. Think of the total production of physical wealth by the nation, and examine the total costs and expenses of the economy in the same way one would analyze the costs and expenses of an industrial firm.

Divide all payments into the following sub-categories of costs and expenses of production:

1.0 Costs of Production

1.1 Direct costs of production

- 1.11 Costs of operatives' labor
- 1.12 Costs of imported goods, less exports
- 1.13 Amortization of capital improvements in plant, machinery, equipment, and basic economic infrastructure of the national economy.

2.0 Overhead Expenses

2.1 "Economic" expenses

- 2.11 Production management
- 2.12 Technical services to production and labor (science, medicine, teaching, engineering, etc.)

2.2 "Institutional" expenses

- 2.21 "Non-Economic" governmental (services,

administration, police, military, etc.)

2.22 Non-governmental expenses (services, administration, selling, legal, etc.)

2.3 Waste expense

- 2.31 Unemployment
- 2.32 Labor-intensive "luxury" services
- 2.33 Usury and rentier speculation
- 2.34 Immoral recreational activities
- 2.35 Criminal activities

It is direct costs of production which necessarily vary directly in proportion to output of real wealth. "Economic services" are indispensable to increasing and maintaining the productive powers of labor, either as sustaining productive potential of the labor-force or in supplying improvements in technology to production of goods and infrastructure-building. "Institutional" expenses make no positive contribution to production of wealth, but are necessary to maintain the essential institutions of society. "Waste" is a direct tax on, deduction from, the output of wealth.

To compare the economic performance of two or more economies, we must compare the output per-capita of av-

Table 4. Increased energy per-capita (percentages)

| | 1950-1960 | 1960-1970 | 1970-1975 | 1975-1980 |
|---------------|-----------|-----------|-----------|-----------|
| United States | 10.4 | 35.2 | 0.8 | 1.3 |
| Japan | 120.0 | 184.8 | 11.5 | 8.1 |
| West Germany | 59.0 | 47.3 | 1.1 | 0.2 |
| Britain | 20.0 | 18.0 | -1.9 | -2.3 |

Table 5. Distribution of industrial potential

| Region/Nation | 1960 | 1970 | 1975 | 1980 | 1982 |
|----------------|---------|---------|---------|---------|---------|
| North America | 45.320 | 54.685 | 60.817 | 66.746 | 67.766 |
| United States | 35.593 | 41.885 | 45.898 | 49.659 | 50.203 |
| Canada | 3.486 | 4.355 | 4.874 | 5.317 | 5.389 |
| Mexico | 6.239 | 8.444 | 10.044 | 11.770 | 12.173 |
| South America | 32.144 | 41.600 | 47.926 | 55.450 | 60.214 |
| Argentina | 4.332 | 4.992 | 5.378 | 5.794 | 5.885 |
| Brazil | 12.888 | 17.174 | 19.536 | 21.555 | 22.031 |
| Western Europe | 65.172 | 68.005 | 69.700 | 72.326 | 73.004 |
| Britain | 11.251 | 11.484 | 11.564 | 11.834 | 11.902 |
| West Germany | 12.400 | 12.763 | 13.039 | 13.449 | 13.573 |
| France | 9.347 | 10.437 | 10.888 | 11.362 | 11.486 |
| Italy | 10.900 | 11.510 | 11.576 | 12.009 | 12.078 |
| Scandinavia | 3.305 | 3.579 | 3.941 | 3.734 | 3.751 |
| Africa | 48.817 | 62.258 | 71.535 | 83.406 | 88.506 |
| Egypt | 4.663 | 5.988 | 6.837 | 7.913 | 8.129 |
| Middle East | 12.979 | 17.493 | 20.411 | 23.767 | 24.648 |
| Soviet Empire | 72.026 | 81.570 | 86.746 | 91.339 | 92.238 |
| Northeast Asia | 24.451 | 29.694 | 31.962 | 34.135 | 34.598 |
| Japan | 19.904 | 23.725 | 24.963 | 26.129 | 26.361 |
| So. Korea | 4.432 | 5.809 | 6.823 | 7.777 | 7.993 |
| Taiwan | 0.115 | 0.160 | 0.176 | 0.229 | 0.244 |
| China | 126.929 | 158.351 | 182.342 | 198.477 | 204.128 |
| Other Asia | 127.878 | 161.407 | 182.661 | 207.710 | 213.404 |
| India | 78.208 | 97.938 | 110.650 | 126.519 | 130.279 |

erage employed goods-producing operatives among the economies, and also compare the total costs and expenses of unit-output of the two or more economies. In other words, if two economies have approximately the same average level of productive output of persons employed as goods-producing operatives, the economy with the higher percentile of combined institutional and waste expenses, has a correspondingly lower productivity: Its currency is worth less in that ratio.

That is the reason that, today, the U.S. dollar is greatly overpriced when compared with Japan's yen or West Germany's deutschemark.

Let us compare changes in expense-cost ratio of a few countries over the postwar period (Table 1).

Let us compare this with changes in the percentile of the total labor-force employed as urban operatives in both goods-production and basic economic infrastructure (Table 2).

Then, compare this with the levels of indices of net U.S. goods-output per capita of the labor force for key categories of production (Table 3).

Energy consumption per square-kilometer is an approximate measure of the level of development of the territory of a nation. The more precise correlation is a function of area and population-density; however, the relative increase in energy consumption per capita does correlate with increases of levels of productivity (Table 4).

It is not correct to compare the ratio of price of output to wages of operatives, in comparisons of national economies. The price of the goods corresponding to the market-basket of operatives' income, includes all categories of costs plus expenses. So, if the ratio of expense to costs is higher in one economy than another, the average product will cost more as a result. It should be obvious, that if two nations have the same productivity of operatives, and the same standard of

Table 6. Indices of U.S. vs. Soviet output

| Category | 1950 | | 1970 | | 1980 | |
|---------------|--------|--------|--------|--------|--------|--------|
| | U.S.A. | Soviet | U.S.A. | Soviet | U.S.A. | Soviet |
| Electricity | 100 | 22 | 464 | 224 | 693 | 392 |
| Steel | 100 | 30 | 136 | 132 | 115 | 168 |
| Machine Tools | NA | 100 | 70 | 286 | 87 | 306 |

Table 7. U.S. vs. Soviet military hardware

| Category | 1960 | | 1970 | | 1980 | |
|-----------|--------|--------|--------|--------|--------|--------|
| | U.S.A. | Soviet | U.S.A. | Soviet | U.S.A. | Soviet |
| Warships | 531 | 582 | 536 | 564 | 397 | 656 |
| Warplanes | 8,120 | 11,675 | 4,447 | 7,525 | 4,215 | 7,907 |
| Tanks | 12,975 | 35,000 | 11,656 | 41,140 | 12,247 | 49,200 |
| ICBMs | 18 | 35 | 1,054 | 1,427 | 1,052 | 1,398 |

living, but one has a higher ratio of expense to cost, the price of the cost of living will be higher in the nation with the higher ratio of expense to cost.

The administration and at least most of the Congress are so far convinced that Americans are making more money during each year of the 1983-85 period, than the previous year. It's nice to make money, but what is your money actually worth, once the U.S. dollar falls to the true value of its goods-content on the world market? The administration and Congress have not understood the difference between money and wealth. So, they have continued to tolerate monetary and economic policies which have caused our national public and private debt to skyrocket, and which have caused the U.S. economy to plunge into what would be, under present policies, a permanent and worsening trade deficit. Since about April 1983, most of the United States has been living in a dream-world of money. To secure this dream-world money, we have been living on borrowings which could never be repaid at present rates, and have been able to borrow because of the soaring exchange-value of the dollar, an exchange-value which is already beginning to sag, and must collapse sometime over the months ahead.

Washington's economists are not economists at all; they are all "money-theorists," to the last man. Under their "expert" influence, the U.S. economy is being systematically destroyed. Naturally, such "experts" prefer to blame Japan, a Japan whose only "crime" is to guide itself by the same kinds of economic policies the United States used to follow, back in the days when our economics thinking was still sane.

The strategic implications

The need to change our monetary and economic policies is most easily seen from a military standpoint. The just-issued report of the U.S. Department of Defense, *Soviet Military Power*, points attention in the right directions.

Although the Soviet empire hopes to gobble up Europe,

Asia, and large parts of Africa without significant resistance from the United States, Soviet military policy is based on a commitment to be prepared to launch and win a total war against the United States by approximately 1988.

Look at Europe, first. Greece is already out of the U.S. alliance in all but name, and is on the verge of formally moving into the Soviet sphere of influence. Sweden is nearly "Finlandized," and Denmark is on the verge of pulling out of NATO. If Foreign Minister Genscher's Liberals defect from the present coalition government of West Germany, Brandt's Social Democrats will probably become the government; if Brandt's Soviet-leaning party comes back to power, West Germany will be immediately virtually pulled out of the alliance with the United States, and will drift rapidly into the Soviet sphere of influence. If West Germany goes into the Soviet sphere of influence, nearly all of Western Europe will quickly follow.

Chiefly because of the heritage of the Carter-Brzezinski "Islamic Fundamentalism Card," and recent impositions of IMF conditionalities, all of the Middle East and North Africa has been destabilized to the degree that it could very well be inside the Soviet sphere of strategic influence within the year.

In Eastern Asia, Kissinger's prominent role in imposing arbitrary currency devaluations and IMF conditionalities, has the Philippines on the edge of chaos, and has gutted the regional military strength of all U.S. friends and allies.

IMF conditionalities have pushed many nations of South America to the verge of military coups by "cocaine colonels," by "right-wing" forces bought up by the Soviet-connected drug-trafficking, or civil wars. In the Congress, a badly misadvised Paula Hawkins and Dennis DeConcini, are taking actions which guarantee an early "cocaine colonels coup" in Bolivia; but most of the other Andean nations are similarly imperiled.

If these trends fostered by IMF policies continue, it is probable that Moscow could gobble up most of the world by

1988, without firing a single nuclear warhead. A brief review of the distribution of the world's industrial potential tells most of the story (Table 5).

With present trends of industrial collapse in the Americas, and continued rates of decoupling of Western Europe, the Middle East, Africa, and Asia, from the United States, the Soviet empire's sphere of strategic influence could readily expand to about 84% of the world's industrial potential by 1988. Given this pattern of trends, without economic and political cooperation between the United States and Premier Nakasone's Japan during the months and years immediately ahead, a global strategic disaster for the United States is assured.

Already, even before the productive capacity of Europe is placed at the disposal of Soviet buyers, the wide margin of Soviet military expenditures over the U.S.A., since the 1972 SALT I and ABM treaties, is ominous enough. Moscow would not have been able to sustain this growing margin of military advantage, even with sacrifices, had the Soviet economy not continued to grow while U.S. industrial potential was being collapsed (Tables 6 and 7).

If these trends continue, and if the United States does not build a strategic defense system to match the system which the Soviets will have deployed by approximately 1988, the Soviets will be capable of surviving and winning a total war against the United States launched suddenly from a "cold start," the number-one option in Soviet Marshal Nikolai Ogarkov's general war-plan. If Western Europe is "decoupled" from the U.S. military program by 1988, presently a most likely prospect, the United States would have little option but to capitulate to Soviet dictates, or be crushed totally within about two weeks of the launching of a Soviet assault.

Without disputing the merits of the President's proposed defense budget, U.S. spending at levels of less than something between \$400 and \$450 billion a year, ensures the possibility of Moscow's ability to implement Ogarkov's war-plan by about 1988. The needed levels of spending would include staffing and equipping in-depth "conventional war-fighting" capabilities, and would signify rebuilding the capacity for producing new steel far above the approximately 40 million annual tons at present, to about the 130-million-ton capacity of a few years ago. The same general approach must be taken toward production of machinery, especially machine-tools. The collapsing level of U.S. civilian industrial output is a national strategic disaster.

Such are the follies into which our government's policy-making falls, when we measure "economic progress" as the amount of money we are spending, rather than the quantity and quality of physical output we are producing per capita. If we were more sensible, instead of exporting our tragedies to Japan, we would insist that Japan export its economic policies of practice into the United States, the same policies which once made the United States powerful and great.

Africa threatened with recolonization

by Thierry Lalevée

The March 31 resignation of Egyptian Economics Minister Mustafa al Said in Cairo, and a large crowd of 10-20,000 people demonstrating on April 3 in Khartoum for the resignation of Sudanese President Gaafar Numayri, are not merely part of the process now destabilizing Egypt and Sudan, for the aim is not merely the overthrow of those two regimes. The entire African continent is the target.

There, in the *Financial Times* of London, the daily representing the international interests of the City, in black and white for the first time outside of *EIR*, was a statement of the actual policy of the International Monetary Fund and the World Bank: the recolonization of the continent of Africa. More precisely, the policy is to recolonize those countries rich in raw materials, while others will simply be destroyed, or given to the Soviet sphere of influence.

"In a sense, we are talking about a kind of recolonization—about sending smart white boys to tell them how to run their countries," said an IMF official quoted in the *Financial Times'* April 3 edition. Helping along the process, the *Financial Times* detailed, is the drought and starvation. "Mass starvation . . . is routine" in Africa by now, it reports happily. What makes the present crisis "one of the central events of our time," however, are the political and social consequences which are allowing a new "orthodoxy" to emerge: recolonization.

The resignation of Mustafa al Said amid allegations of corruption is a serious political setback for Egypt's President Hosni Mubarak, to whom he was a close and trusted associate. This is the latest blow in the not-so-diplomatic negotiations between the Egyptian government and the International Monetary Fund. The same day his resignation was announced, the government-connected weekly magazine *October* called Said a "scapegoat for Egypt's financial troubles."

Indeed, there are indications that Said was forced to resign because the financial and monetary measures he had imposed were successfully sabotaged by the bankers of the mafia and the black market he was trying to destroy with those measures.

His attempt to destroy the black market, which made a mockery of central bank regulation of the dollar/Egyptian-pound exchange rate, was met by an insidious campaign of rumors which scared foreign investors away and temporarily

paralyzed the inflow of remittances from Egyptian workers abroad. A foreign-exchange crisis ensued, which, as sources report, was used by Prime Minister Hassan Ali, a long-time opponent of Said, to force him out.

Under normal circumstances, a rebuff to the economic policy of the government would have been treated as a matter of collective responsibility, inasmuch as economic policy is certainly not the concern of only one minister. However, Hassan Ali, a good friend of Henry Kissinger who travels regularly to Switzerland (not merely to cure his bad health), and whose position as prime minister rests on a thin thread of blackmail, was determined to throw Said to the wolves.

Although it is too early to judge Said's successor, Sultan Abu Ali, it is significant that his previous position was chairman of the General Authority for Investments and Free Zones—an administration ruling over the kind of black economy—"Free Zones" that the IMF and the World Bank are advocating all over the developing sector to generate enough financial income—as in drug-trafficking—for those countries to pay their debts. Whether this will be Egypt's fate immediately, however, is doubtful. Begun by Sadat under the name *Infitah* or Open Door, the policy made Port Said a "free port" with minimal or no regulation. The process was slowed down under Mubarak, however.

With Said's resignation came the announcement that Mubarak himself, through a committee of economists and experts, would be directly and personally involved in daily economic policy. However, the mafia will certainly not rest content with the resignation of only Said, and there is no solution immediately in sight to Egypt's growing foreign-exchange difficulties. The simple fact is, most of the country's liquid reserves of hard currency are now used to pay its back debts. Less and less is available to import food.

Deepening the crisis was the official announcement that next May, the Egyptian parliament or *Majlis* will begin a debate on how to implement the Islamic law or *Sharia*. A direct consequence of Numayri's decision to apply the *Sharia* in the Sudan in 1983, such a move has now gathered a majority in the *Majlis*, in both the opposition and government parties. In fact, the debate will focus not on whether the *Sharia* is to be applied, but how—on the Iranian, Sudanese, or Saudi model. This is a tremendous boost to the official Muslim Brotherhood, which has one representative in the parliament.

Whether President Mubarak can actually deal with the problem is not clear. During the month of March alone, no fewer than three terrorist plots were uncovered in Cairo. The most dangerous involved members of the Al Jihad group within the armed forces responsible for President Anwar Sadat's murder. Later, it was discovered that members of other fundamentalist groups were receiving huge amounts of money and planning attacks on Christian (Coptic) interests. Then, on March 31, police arrested a group of 10 Egyptians trained in guns and explosives in Libya.

A sure indication that the plot against Mubarak's regime is much wider than merely local fundamentalists—namely, the international financial interests behind Cairo's banking mafia—is the fact that when Islamic fundamentalists were arrested, a Coptic fundamentalist group was also dismantled. The group was planning terror activities against Islamic interests.

There is little doubt that both brands of fundamentalism are being run by the same interests at a much higher level than the Middle East. According to certain sources, the assessment is that Mubarak may be in a more difficult situation than even Sudan's Numayri. Besides the infiltration of the army by fundamentalists, his defense minister, Marshal Abu Ghazalah, has some strange ideas about the development of Egypt. For instance, he told an American military audience in March that he hoped Egypt would "become the Singapore of the Middle East."

Threat from the south

Mubarak told the Kuwait news agency on April 4, "Egypt will come to Sudan's aid in case of external threat, but what is happening today is purely internal. We do not want to interfere." But he could not hide the obvious worry in Cairo over events in Sudan. Apart from any concern for Numayri's political survival, Cairo's first preoccupation is the security of its water supplies, which depend on a cordial relationship with whomever is in power in Khartoum. This is Egypt's very lifeline, and it is already threatened.

Fighting in southern Sudan forced the French company constructing the badly needed Jonglei canal to halt the project when it was nearly 80% complete. The waters of the Nile remain at an alarmingly low level within the Aswan Dam. Power failures and a danger of the turbines being blocked by a higher proportion of sediments than usual could be the first signs of a terrible catastrophe.

Scenarios for a smooth transition of power in Sudan to a more neutral personality who could sponsor a "national reconciliation" have little chance of success without a massive influx of credit and economic aid. Latest figures indicate that between 4 and 7 million of the 22 million Sudanese may be in danger of starvation during 1985 if 600,000 tons of grain are not delivered by June. Even this amounts to no more than 400 grams of cereals per person per day, the bare survival level.

The immediate danger in Sudan which Cairo—better informed than Washington—ponders, is the disintegration of the country. Drought, starvation, and epidemics, coupled with organized guerrillas in the south, have created another growing phenomenon: organized banditry. Large gangs now roam the south, loyal to neither the government nor the "official" rebels, but only to their tribe or small village.

If the Sudan that many academics are suddenly discovering is an "artificial" country were to disintegrate, it is Egypt and the whole of Africa which would plunge into a dark age.

Brazil pal of Shultz faces jail for fraud

by Mark Sonnenblick

If he has not followed his flight capital far "offshore" from Brazil, Mario Garnero, the best friend in Brazil of Secretary of State George Shultz and former Treasury Secretary William Simon, will soon be in jail for up to 12 years. Federal prosecutors asked a Sao Paulo judge on April 2 to jail Garnero and three other officials of the Brasilinvest investment house on charges of "fraud, embezzlement, 1 trillion cruzeiros [\$224 million] in flight capital, and organizing a mafia."

The first major act of Brazil's first democratic government in 21 years was to decree Banco Brasilinvest dissolved on March 16 and then embargo the assets of a dozen Brasilinvest directors, including the presidents of Volkswagen and Varig Airlines, and Mauro Salles, a member of the new cabinet. They were also forbidden to leave the country, but the prosecutors believe Garnero escaped.

Over the past two years, Garnero and associates looted almost everything of value out of the prestigious \$1 billion investment operation. They expected their angry creditors would force the government to pick up the tab, as the previous military dictatorship had done in other cases of asset-stripping.

The new government, however, picked Brasilinvest for exemplary punishment to show that the state would no longer bail out corrupt private enterprise. It could not have made a better choice.

Brasilinvest was founded in Salzburg, Austria, at a meeting convened in 1975 by international speculator William Simon, to serve as the vehicle for the old European fortunes and the multinational corporations to buy up and loot the choicest industrial, agricultural, and mineral properties in Brazil. The idea was that a consortium promising to bring \$20 billion in private investment into Brazil over the following decade would have the political muscle to get away with more than a multinational corporation could do on its own.

Two years later, Garnero paraded seven cabinet members and even the President before the Brasilinvest board, in a dramatic show of strength. At its high point at the end of 1982, Brasilinvest reported earning a hefty \$360 million annually on investments of \$1 billion in 51 different ventures. It held a near-monopoly of 45% of the Brazilian telecommunications industry as a "Brazilian" front for such as ITT and Nippon Electric Corporation. In the same year, William

Simon acted as godfather for Brasilinvest to buy a quarter of First Woman's Bank in New York to have an in-house vehicle for money laundering and for helping the oligarchy pull its capital out of Brazil.

It was not the first offshore banking venture for Brasilinvest. When Garnero opened Brasilinvest Overseas Bank in the Bahamas in 1979, he described it as "one more window for opening Brazil up to abroad."

Door opener for the looters

Garnero got his start by marrying into the Monteiro Aranha family, the old Brazil export oligarchy which was selected by Schroeders Bank in the Hitler period to be the Brazilian end of barter deals in non-convertible marks. Hitler received Brazilian cotton and other goods, but the German steel mills and Krupp cannons never arrived in Brazil. Under the Marshall Plan, a complex deal was worked out under which the Monteiro Aranhas got VW's obsolete machinery in reparations. The slick Garnero was chosen Brazilian operator for Monteiro and its Schroeders and Morgan Guaranty partners.

In a glossy magazine, *V.I.P.*, which Mario Garnero published in 1983 as an exercise in self-promotion, he reported, "I always try to open doors here" for international friends. Garnero's talent as a doorman was used by George Shultz in September 1982 when he got Garnero to stop Brazilian President João Figueiredo from announcing the formation of an Ibero-American debtors' cartel so that governments could jointly renegotiate their unpayable debts.

Shultz refused to talk with Brazil's Planning Minister Delfim Netto. Instead, he called Garnero to Washington to promise that the U.S. would open up its market to a flood of cheap Brazilian exports, if Brazil played the debt game by Wall Street's rules. Garnero went to Figueiredo and organized a loud exporters' chorus in Brazil to make sure the country did not break relations with the banks. It was Garnero who gave the speech extolling "free enterprise" to welcome Ronald Reagan to Sao Paulo a few months later.

As the debt squeeze put Brazil into the worst depression in its history, Brasilinvest profited by taking over targeted companies in desperate need of injections of capital and by stripping down industries abandoned by multinational corporations. Garnero used his Forum of the Americas to demand an end to laws protecting Brazilian banks from being bought out by foreign speculators who would use them as vehicles for asset-stripping their creditors inside Brazil. This is of obvious interest to the oligarchic co-owners of Brasilinvest such as Swiss Bank Corporation, Société Générale, Midland Bank, Nestlé, Mercedes Benz, VW, and Insurance Co. of North America.

A few privileged foreign bankers such as Alan Stoga, now a senior member of Kissinger Associates, Inc., were able to enter the domestic banking market thanks to this barrage.

Garnero's association with Henry Kissinger goes back to

1964, when he invited the then rather obscure Harvard professor for his first lectures in Brazil. The "special relationship" Kissinger formally established in February 1976, between the United States and Brazil coincided with the founding of Brasilinvest and gave the impression that the U.S. government itself sponsored the operation.

The promised \$20 billion in direct foreign investment never materialized, but eager bankers bloated Brazil with loans. This process was helped by "free enterprise" ideologue William Simon, who used his position as Treasury Secretary under Gerald Ford to rig U.S. tax code enforcement so that U.S. banks were able to get tax credits, rather than pay U.S. capital gains taxes on profits made on their Brazilian operations.

Volcker's 1979 interest hike drove Brazil into bankruptcy in 1982. Then, for the grand slam, Henry Kissinger invited Garnero to his secret Vail, Colorado, "World Futures" meeting in August 1982, where plans were concocted for transforming the mass of unpayable debt paper into equity ownership of the immense resources of the debtor countries. It was Garnero who carried the "debt-for-equity" concept back to Brazil and who led the campaign for handing over valuable state enterprises and natural resources to creditors ever since.

Stripping assets

Garnero was bestowed the "Man of the Year Award" on May 17, 1984 by the Rockefeller-dominated Brazil-American Chamber of Commerce. Such honors, and his continuing partnership with Shultz and Simon in the United States, Jacques Chirac and President François Mitterrand in France, and the whole nest of the dirty German, British, Swiss, and French oligarchy, kept up Brasilinvest's ability to borrow money and raise funds with illegal unsecured bonds at the same time the company was stripping its own assets.

Six days later, Brasilinvest created the first of 10 fictitious entities in Zurich, Liechtenstein, and Panama. The indictment added, "One of the causes of the Brasilinvest bankruptcy is the fact that it remitted one trillion cruzeiros abroad, which is more than the 1985 budgets for health, agriculture and justice ministries."

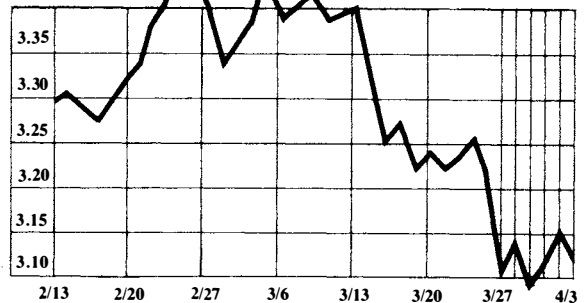
When the job was almost done, Brasilinvest and the equally bankrupt Banco Sulbrasileiro "took in each other's dirty laundry," issuing debt papers to each other to cover up a bit longer. The idea was that their private-sector creditors would be potent enough to force the government to pay for the broken dishes.

But, President-elect Tancredo Neves refused the bailout. Neves did not become President, and rumors are that he was shot in the stomach. But his nephew, Francisco Dornelles, the new finance minister, immediately mopped up Brasilinvest. If Dornelles has his way, Garnero will soon be under "preventive detention." But, will his international sponsors get away scot free? And, once the market has been cleansed of Brasilinvest, will the "debt-for-equity" buy-up of Brazil continue?

Currency Rates

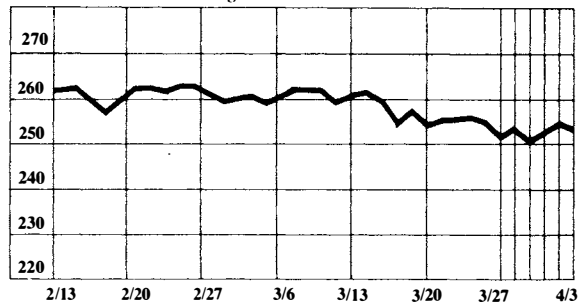
The dollar in deutschemarks

New York late afternoon fixing



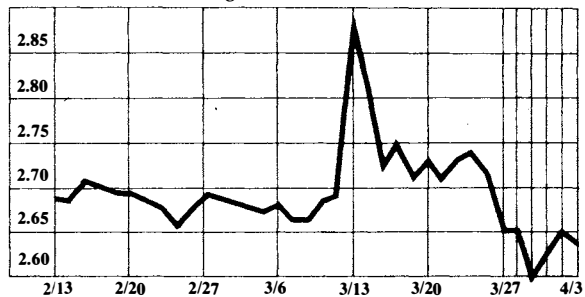
The dollar in yen

New York late afternoon fixing



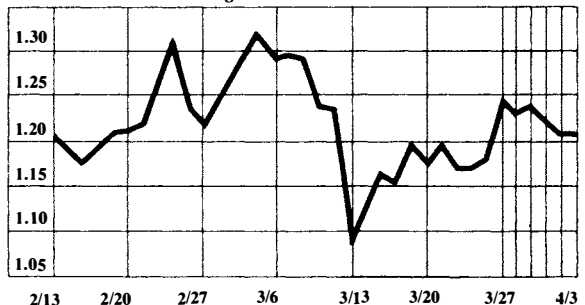
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The 'recovery' in West Germany: living below the poverty level

by Rainer Apel

What was once known as the "German economic miracle," the speedy reconstruction of German industrial society after 1945, was buried by the successive economic recessions of 1965-67 and 1973-75. What was left of German living standards has been eroding continuously since the imposition of the U.S. high-interest rate, credit-crunching policy in 1979. Since then, the collapse of basic industries has destroyed industrial employment, and rising unemployment has undermined the living standards of millions. A growing segment of the population is now on the verge of falling from long-term unemployment into real poverty.

According to official statistics, 1.4 million German households are forced to live under conditions far below average living standards. The National Federation of Labor (DGB), which estimated 1.6 million such poor households in 1983, now calculates that the real total must be around 2.5 million. The DGB speaks of between 5 and 7 million Germans whose main source of income is social welfare or relief. That is about 10 to 12% of the population of the Federal Republic.

The total number of poor families is on the increase, and more and more Germans of working age have been without work for more than two or even more than three years. According to official statistics, 17% of the 2.62 million unemployed have been without a job for more than two years, and the trend is accelerating. The total number of these long-term unemployed doubled between March 1984 and March 1985. But there is more to be said about the official statistics: In the "crisis regions," the centers with the highest unemployment rates, 35% or even 40% of all officially registered unemployed have not worked for more than two years.

These crisis regions are, apart from the traditionally underdeveloped areas with little infrastructure, more or less identical with the traditional centers of heavy industrial production: the Saarland, the Ruhr region, and the big port cities like Bremen and Hamburg.

Here are the unemployment rates of these regions (the

first figure lists unemployment in February, the second for March):

- Saarbrücken (steel, metal, mining)—17.2%, 16.6%
- Völklingen (steel, mining)—19.5%, 19.0%
- Neunkirchen (steel, metal, mining)—15.7%, 15.3%
- Aachen (lignite exploration)—12.2%, 11.9%
- Bochum (mining, steel, metal)—15.4%, 15.3%
- Dortmund (steel)—17.1%, 16.9%
- Duisburg (steel)—16.4%, 16.1%
- Gelsenkirchen (processing of iron ore)—15.6%, 15.6%
- Bremen (shipbuilding)—14.7%, 14.5%
- Hamburg (shipbuilding)—12.6%, 12.6%

Official unemployment rates in these cities are considerably above the national average of 10.5% for February and 10.0% for March. Not surprisingly, these regions are also the ones with the highest proportion of welfare recipients. The city of Dortmund, previously one of the main centers of German steel production, has 42,000 unemployed citizens and another 25,000 on welfare. These are official figures—and even the statistical offices themselves admit that adding half again of these numbers would get you closer to the real unemployment rate. This means for Dortmund—a city of about 600,000 inhabitants—that approximately 100,000 citizens are forced to live from unemployment or social welfare checks, and every sixth citizen lives on an income which is between 30 and 40% of an average salary of an employed citizen.

Collapsing tax base

What is true for Dortmund, is true for most of the other crisis regions—and as things are going now, it will get worse, because welfare is a burden on the municipal budgets, and the cities with the highest rates of unemployment are also the ones with the highest debt per capita. If industry and commerce collapse, the tax-income base of the municipalities shrinks. The national association of cities (Deutscher Städtetag) has been complaining for some time about this deadly

squeeze between decreasing tax-income on the one hand, and increasing financial burdens on the other.

To understand the effect of these developments, one has to know the system of German unemployment administration in somewhat more detail.

Under German labor law, an unemployed worker gets a maximum of 68% (married) or 63% (unmarried) of his last monthly salary, when he loses his job. In most cases, he does not get the money immediately, but may have to wait for several weeks or months, while the bureaucracy processes his application.

First, the bureaucracy has to find out how many months the laid-off worker had worked, how often he changed his job. Here comes the first surprise for the unemployed worker, who expected to receive 63 or 68% of the last salary the law promises him. The measuring-rod for the unemployment administration is not what the worker calls "income," but what his last basic salary was, which is usually only about 70-80% of his total income; the rest is overtime and bonuses.

An average skilled worker earns, with about 10 hours of overtime per week, about 3,100 deutschemarks monthly (before taxes); yet his basic salary is 2,300 DM, and his net income after taxes are deducted will be a bit more than his basic salary, that is 2,500-2,600 DM. Thus if this worker loses his job, he will receive only 1,100 DM in unemployment benefits—barely more than 40% of his previous monthly net income!

Officials in the unemployment administration, asked about this strange regulation, shrug their shoulders: "That is the law!"

According to independent studies carried out by the National Labor Federation, only 10% of all unemployed workers actually receive their 68%. Most receive far less than 50%, and the average is 47%.

The worker's full unemployment benefits run out in 12 months, after which he will receive (officially) 58%. If his wife does not have a job, the unemployment administration will decide which of the two will receive unemployment aid: According to the law, only one partner of a married, unemployed couple receives aid. If his wife works, he will certainly get less than his 58%, because the bureaucrats think he should get more money from his wife and less from the state. That is the law.

After another six to eight months pass without work, the unemployed worker would start receiving welfare checks, which are calculated on the basis of a poverty-level bread-basket and give him only 356 DM per month. But he will only get this sum if his wife is without work too, and if none of his children is older than 15 years—which means none of them could support him.

German welfare laws are based on the corporatist-solidarist notion of self-reliance. This means that our long-term unemployed worker is urged to ask his relatives to help him

out, and a growing part of the working labor force has to pay the bills for the growing ranks of the unemployed.

Rations below the poverty line

Let us assume that our worker is better off, with children below the age of 15, a wife who is not working, and all his closest relatives either unemployed or poor, too. This means he will receive his full 356 DM welfare check per month, plus bonuses for his family, which should amount to something like 800-900 DM in the end. Let us assume the family occupies an apartment in state-subsidized housing, contributes only 200 DM to the monthly rent, and gets the rest through housing bonuses. Then a family of four would have to live on 5 DM per day per person. According to the welfare bureaucrats, this means:

- The daily minimum food ration per person is: one-half egg, 36.5 grams of meat, 30 grams of sausage, five thin slices of bread, one glass of milk. The husband is further allotted one bottle of beer per week. The family gets 1.5 kilograms of potatoes per week, and a couple of oranges and bananas.

- The monthly ration for non-food expenses is: 60 grams of soap, 16 kilowatts of electricity for the husband, but only 3 each for the wife and children, 4 stamps for letters for the husband (only one for the wife!), six bus tickets for the husband (four for the wife), 300 grams of coffee for the husband (100 for the wife).

- One electric-light bulb per year for the husband (one-half a bulb for the wife).

But the situation of the average family will be worse than these dismal statistics imply. In most West German cities, construction of state-subsidized housing has collapsed since the mid-'70s, and cheap homes are rare. About 1.4 million households, according to the official statistics, live under the threat of eviction for late rent payment, or cutoff of electric power or water supplies. The real figure is probably 2.5 million households.

The government's response to this growing crisis has been to grant an additional 20 to 40 DM to each welfare recipient, starting in July 1985, and to provide part-time make-work jobs for the very poorest. Whoever refuses to take the job he is offered is faced with losing his or her welfare check.

More than 50,000 people were forced to work in unskilled public-works jobs for 1.50 DM per hour in 1983, and the figure is said to have doubled or tripled in 1984. This means that welfare recipients are told one day that in order to receive any further money, they will have to work off some of the welfare payments they have received so far. Many, if not all, of the West German regions have started such programs, like those launched in Germany in the late 1920s, which ended in the labor corps (*Arbeitsdienst*) of the 1930s. These programs did not end the depression then, and they certainly won't end it now.

Fruit of 'recovery': America no longer a steel making nation

by Robert Gallagher

The President must immediately invoke the statutory authority granted him by the Defense Production Act to halt a restructuring now in progress in the U.S. steel industry that is rendering the United States dependent on foreign imports of raw and finished steel and incapable in the near term of reducing iron ore in quantities adequate for national defense.

As a first step, the President must seek injunctions against demolitions of the nation's blast-furnace capacity now in progress. Unless this is done, the industry will not be able to provide the "surge" required to supply the defense mobilization the country needs.

The "recovery" in the steel industry reported by the news media is a hoax. Not only were the output levels reported in 1984 only 60% of 1973 production levels, but the very basis of the 23% increase in raw steel output over 1983 and 1984 was a transformation of the industry from ore reduction to steel-scrap recycling. The destruction of blast furnace capacity will lock the nation into a dangerous dependency.

Last year, as much as 50% of the finished steel consumed in America was either imported from abroad or produced from scrap remelted in "mini-mill" recycling plants under the control of the international grain cartels. At any moment, these imports could be cut off and the grain cartels could then drive up the price of their junk scrap steel.

Last year, the United States produced only 48 million tons of finished steel—barely more than we did during World War I. The U.S. consumed 98 million tons of finished steel: the 48 million produced here, 26 million imported, and 24 million the result of recycling scrap.

Imports of raw steel have increased ten-fold since 1980, as plant managers search for supplies in the wake of the shut-down of U.S. blast furnace capacity. The share of domestic steel production coming from electric furnaces that primarily recycle steel scrap—much of it from junked automobiles—has risen to 33% of total production.

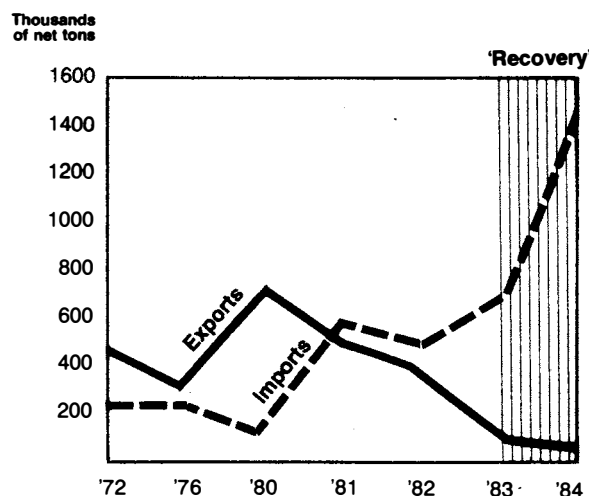
The steel steal

The raw steel imports are coming from Brazil, Venezuela, and other Third World nations which the International Monetary Fund is forcing to export the steel they need at

home, to earn foreign exchange to pay their debts. Meanwhile, the IMF-allied financial interests—for example, Crédit Suisse's partner, First Boston Corporation—are moving to shut down U.S. blast furnaces and integrated steel mills, while their partners such as Cargill of the Swiss-based grain cartel are buying up U.S. electric furnace capacity in mini-mills. One stated goal is to eliminate blast furnace production in the United States. They also demand cuts in the U.S. defense budget and decry the Strategic Defense Initiative (SDI) as "destabilizing."

These financial interests march in step with the Pugwash Conference on Science and World Affairs, i.e., the Soviet Union. Now, they are attempting to pit the debtor nations against the United States—just as they did with the Arab oil-producing nations during the Nixon administration. A repetition of the 1973-74 oil hoax and embargo—with a different commodity—is not inconceivable.

Figure 1
From net exporter to net importer of raw steel

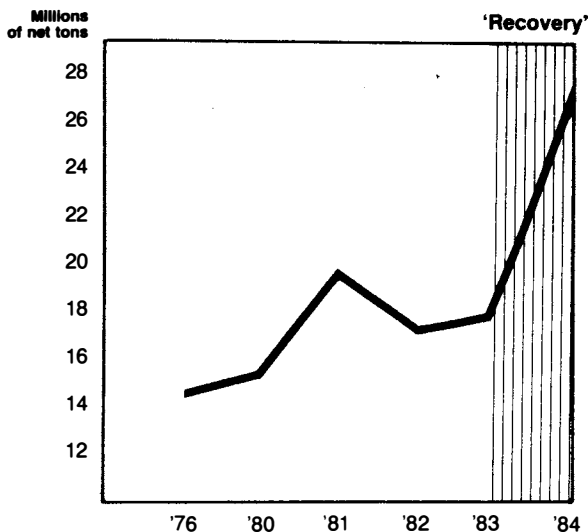


Imports of raw steel have increased tenfold since 1980. What the United States itself still produces is mostly from recycled scrap, not iron reduction. Source: American Iron and Steel Institute Statistical Reports.

In the steel industry, reliance on scrap is associated historically with depression and economic stagnation. Low scrap usage is associated with economic growth. The lows in scrap-usage in American raw steel production in the past 50 years occurred at the height of the Manhattan Project and war mobilization in 1944, and at the height of the Apollo program in 1964—two periods of economic growth. But today's reliance on scrap (and imports) is taking the form of reorganizing the entire industry. As a result, real capacity is lower now than it was in 1931.

To reverse this situation, the nation must embark on an aggressive program to rebuild the steel industry "with Japanese methods," i.e., the methods Gen. Douglas MacArthur introduced to Japan. This requires building many, many

Figure 2
All steel products: U.S. imports nearly double since 1980



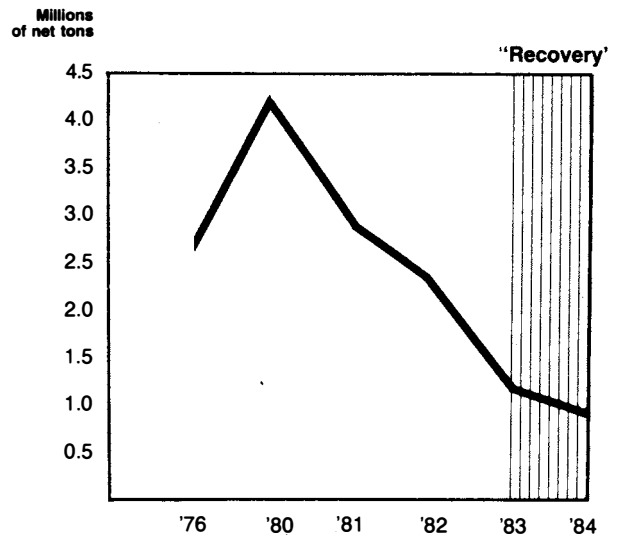
The chart shows imports of all categories of steel—raw, semi-finished, and finished. Source: AISI Statistical Reports.

modern computerized blast furnaces. The plasma furnace now under development is apt for production of specialty steel only, not for the production of the millions and millions of tons of carbon steel required to build nuclear power plants, railways, dams—and battleships and tanks.

Steel and national sovereignty

The shift now under way in the industry away from domestic ore reduction occurs while the United States and Europe face heavily armored Soviet tank divisions which outnumber those of the West by three-to-one, and a Russian navy that outnumbers America's several times over and has repeatedly humiliated U.S. commanders in its worldwide all-ocean demonstrations. If there is one thing the U.S. military needs, it is reliable supplies of domestically produced steel—and lots of it. The burning aluminum fires that the British

Figure 3
All steel products: U.S. exports plummet since 1980



Exports of all categories of steel—raw, semi-finished, and finished dropped to one-third of the 1976 levels by 1984—less than a decade later. Source: AISI Statistical Reports.

couldn't extinguish on their aircraft carrier Sheffield in the Malvinas war show there is, as yet, no substitute for steel for the navy.

The Soviet navy boasts a total of 791 major surface combatants, compared to the United States' meagre 352 (and present budgetary plans would increase the U.S. fleet by only about 90 major vessels). In addition, this Russian armada is complemented by a fleet of 785 minor ships of war, including missile and torpedo boats, patrol boats, and anti-submarine warfare platforms. The United States has 82 of these. In its merchant marine, Russia has 8,279 ships, compared to the United States' 5,579, with a gross tonnage of 23.4 million tons, compared to the United States' 18.5. The present tonnage of U.S. Navy major surface combatants is about 2.7 million tons. Approximately that amount of steel is required for new vessels to just pull even with the Soviet fleet, and even more steel for the necessary shipbuilding capacity to do it.

If this is combined with other defense needs, by any realistic measurement, there is a several hundred million ton steel deficit for defense alone. But the editor of a leading steel industry journal told this writer, "The trend is away from production of steel here from blast furnaces and steel refining, and towards bringing semi-finished slabs in from Brazil and pellets from Venezuela that can be rolled immediately or melted down in an electric furnace with scrap. The numbers on the imports are not that large yet, but it's the trend that's significant." When the danger of import cut-offs was raised to this editor, he replied, "We have enough scrap to last us for a long time."

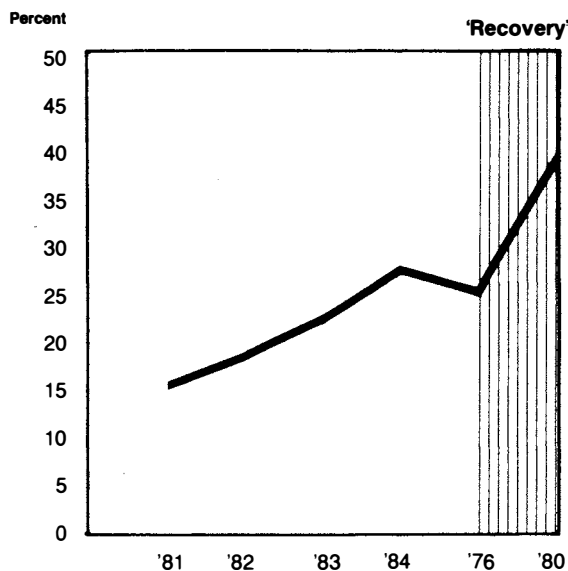
A steel industry analyst at Shearson Loeb Rhoades-

American Express Lehman Brothers in New York, said that “mini-mills [where scrap is re-melted and formed into lower-grade raw steel] and electric furnaces could eventually produce almost all of the steel we will use. If you want to replace a rail tie, you can just take it up and re-melt and re-form it. It won’t work exactly that way, but that’s generally how things will work. We will enter a point where the only need for integrated ore reduction plants will be to make up the difference between the scrap that is lost because of wear and tear.”

Using Britain as an example, this analyst wrote in 1980, “Across from the fields of Llanwern the future of steel already emerges—the Alpha private steel [mini-]mill, 800,000 tons per year on 500 men. Llanwern has problems doing that with 10,000 men, not counting headquarters. . . . The steel in-

Figure 4

Imports double as percentage of domestic steel shipments



The percentage of domestic net shipments of all categories of steel which represent imports, has nearly doubled between 1980 and 1984 to well over a third of the market. Source: AISI Statistical Reports.

dustry in the United States is in a restructuring phase in which steelmaking by mini-mills is gaining while integrated operations are retrenching.”

Obsolete methods led ‘recovery’

Official industry statistics show that this forecast was realized in the 1983-84 “recovery” in steel. The much-touted 23% increase in U.S. raw-steel production in 1983 and 1984 did not occur in the integrated steel mills that led steel production during the Manhattan and Apollo projects. Production at the seven largest steel companies increased only 10%, according to figures available from the U.S. Bureau of Mines.

Where did the large production increase occur? Production in the antiquated 19th-century open hearth furnaces left

36%, so that its share in raw-steel production increased for the first time since the 1950s. The reason? The open hearth can serve as a scrap melter. Although production in the basic oxygen process—the most advanced steel-making process available today—reportedly increased by 7 million tons over 1983 and 1984, for the first time since its introduction in the 1950s, its share of U.S. raw steel output suffered a significant decline—from 61 to 57%. The reason? *It is not a scrap machine.*

In the basic oxygen process, a jet nozzle injects liquid oxygen at Mach 2 supersonic speeds into a bath of molten iron provided by a blast furnace. The process was invented by engineers trained in the German hydrodynamic tradition. BOP furnaces can take only about one-fourth of their charge in scrap.

The most politically significant increase in raw steel output in the “recovery” came in a seven-million-ton jump in output from older electric furnace technology, the basis of the mini-mill fad initiated by the Carter-Mondale administration. If steel is in recovery today, Jimmy Carter can take all the credit.

Steel mini-mills are small plants with annual capacities of 300-400,000 tons built around electric furnaces. The electric furnace was made for the production of steel alloys and other specialty steels. A U.S. Steel spokesman said regarding U.S. Steel’s 14 electric furnaces, “We built them to make exotic alloys, but we got out of alloy-making a long time ago.” Roughly 75% of electric furnace production is now raw carbon steel made from 100% scrap.

The relative backwardness of the electric furnace is measured by two quantities, energy flux density and output per unit of energy consumption in the furnace. We measure energy flux density in steel refining as the new energy input per unit time through a horizontal cross-section of the furnace. For the open hearth, energy flux density is approximately 1.2 million BTUs per meter-squared hour; for the electric furnace, the figure was 3.0 million BTUs; for the basic oxygen process, it was 12 million BTUs! Tons of output per billion BTUs consumed by furnace was 250 for the open hearth, 600 for the electric, and 3,790 for the basic oxygen process.

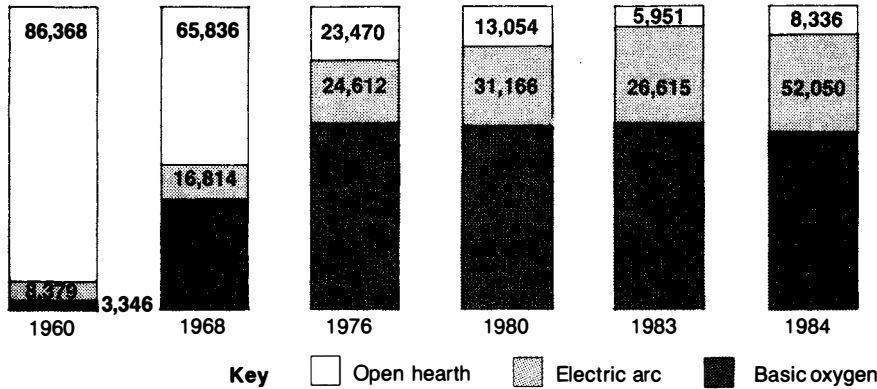
Capacity lower than in the depression

The scrap content of steel produced in the last few years is higher than at any previous period of history. The quality of scrap-based steel leaves much to be desired. We asked a spokesman for Florida Steel, a mini-mill chain, if they removed the seats, the rubber parts in the engine, etc. from scrap cars before using them. He said, “You should see what our stockpile looks like. It looks like a rust junk-heap. They’re supposed to remove the seats, the rubber parts, but often they don’t. To offset the impurities we add an alloy.”

It is ridiculous to include this production within U.S. raw-steel capacity—now officially at 130 million tons per year. From the standpoint of national security, true capacity is

Figure 5.

**Structure of raw steel production:
retreating from advanced technology**



Open hearth furnaces are the most technologically backward, electric arc more advanced, and basic oxygen furnaces the relatively most advanced of currently used steel producing technologies. Beginning in 1980, the steady growth in the proportion of basic oxygen furnaces not only stopped, but began to reverse itself. Source: AISI Statistical Reports.

measured by the ability to reduce ore to produce new steel in the state-of-the-art steel-making process, the basic oxygen process, and does not include the antique open hearth, nor the scrap melters. Although BOP capacity is reportedly 80 million tons (it was higher in 1978), it is doubtful that there exists enough blast-furnace capacity to feed the BOP furnaces with the 65 million tons of molten metal required to reach full capacity. This puts U.S. steel capacity at most at 70 million tons, or less than half the 160-million-ton capacity of 1974, and lower than any time since 1931.

Who owns the mini-mills?

A preliminary investigation has revealed that the Cargill grain firm, headquartered in Switzerland, owns at least six mini-mills. Its holdings include North Star Steel, whose mill in Beaumont, Texas has an annual capacity of one million tons, and mills in Monroe, Michigan; Welton, Iowa; and St. Paul and Duluth, Minnesota. A conservative estimate would give Cargill alone control of one-tenth of U.S. electric furnace output. But Cargill's North Star is making a bid on the Youngstown, Ohio works of U.S. Steel to turn it into a mini-mill. Other owners of U.S. mini-mills include Voest-Alpine of Austria.

The Defense Production Act authorizes "the expansion of productive capacity and supply level beyond the levels needed to meet the civilian demand, in order to reduce the time required for full mobilization in the event of attack on the United States." Apparently, the administration is considering whether to invoke the act. In response to a question on the steel crisis, Defense Secretary Caspar Weinberger told an April 2 press conference, "I think we have the capability and the potential of converting our immense industrial resources to the kind of military production that we would need in the event we had to go to war. But I think it's extremely important to recognize that we have to take steps now to maintain and preserve that industrial capability." Let's do it!

Figure 6

Raw steel production—60% of 1973 rates
(in thousands of net tons)

| | Output | % 1973 output |
|------|---------|---------------|
| 1973 | 150,799 | 100 |
| 1976 | 128,000 | 84.9 |
| 1980 | 111,835 | 74.2 |
| 1981 | 120,828 | 80.1 |
| 1982 | 74,577 | 49.5 |
| 1983 | 84,615 | 56.1 |
| 1984 | 91,000 | 60.3 |

Source: AISI Statistical Reports

Figure 7

U.S. and Soviet navies, 1984

| | U.S.S.R. | U.S. |
|-------------------------------|-------------|------------|
| Battleships | 0 | 4* |
| Aircraft carriers | | |
| VTOL & helicopter | 4 | 12 |
| Attack | 0 | 13 |
| Submarines | | |
| Ballistic missile | 90 | 32 |
| Cruise missile | 67 | 0 |
| Attack | 228 | 95 |
| Cruisers | 44 | 27 |
| Destroyers | 84 | 89 |
| Frigates | 177 | 80 |
| Corvettes | 104 | 0 |
| Total major combatants | 791 | 352 |
| Minor combatants | 785 | 82 |
| Total combatants | 1576 | 434 |

* Built in World War II but ordered out of mothballs by the President.

Food shortage: not if—when

Up to 25% of farmers have no financing to plant, and the grain cartels are getting their hands on the existing short supplies.

The United States is in the midst of an emerging food shortage that promises to introduce Americans to widespread hunger in the next several months or a year. Unfortunately, the public is largely unaware of the danger. Since mid-March, the Department of Agriculture has maneuvered to reposition grain in short supply, and to permit a "Big Grain Grab" by means of price shifts allowing cartel companies to acquire CCC grain reserve stocks.

On April 3, the *Wall Street Journal* published an article in the "commodities" section entitled "Artificial Shortage of Wheat Sends Contracts Higher." The headline is a cover-up for the actual grain shortages facing the country.

The Chicago grain elevators, as revealed in a government report, showed that only 100,000 bushels of soft red wheat were available recently. Chicago is a major terminal, with current grain stores down 96% from last year. Toledo, a major delivery terminal, reports supplies down 24% from last year. It is reliably reported that to circumvent tight supplies, a very unusual cash sale was made in early April between a processor and an exporter involving 700,000 bushels of grain.

These short supplies are reportedly due to the amount of grain currently held in government commodity programs. This can be released simply when the market price—dominated by the world grain cartels—reaches the trigger price set periodically by the U.S. Department of Agriculture. The

creep-up of grain prices indicates the cartels' intention to take possession of the government reserve grain, because the cartel companies cannot otherwise get enough grain.

Official sources state that grain trading is down to the lowest levels since 1977. This could lead a gullible observer to believe that there is a lot of grain available, and trade is just slack. But this is not the case. For example, in Kansas—the premier wheat state—there was only 10% of the 1984 wheat crop left in storage last October, when normally there would be 50%. Grain supplies are so low that Continental Grain Co. now only opens its elevators three days a week in Kansas City.

Unprecedented amounts of grain have been flowing to the Soviet Union. During the first four months of the current grain contract with the U.S.S.R., more grain was shipped out starting in October 1984 than during the entirety of the previous grain contract.

The USDA is operating to help the cartels lay hands on more grain. Two new USDA programs have started, aimed at moving grain from country elevators to terminals. It appears that the movement of grain will be to export terminals and other large non-export terminals. The results of this so-called economy move are predictable. First, grain will move away from the farmers needing a large portion of it for feed. Second, the cartels, the friends of Daniel Amstutz, formerly of Cargill, now undersecretary of agriculture, will undoubtedly end up storing the grain and accounting for it

at some future date when the price is higher. Third, the small independent country elevators will be forced out of business, putting even more pressure on strained rural economies in the name of free enterprise while preparing the remaining few country elevators for a takeover by the cartels at bargain basement prices.

Fourth, this "Operation Scoop" will allow more grain to be exported much faster, while giving the cartels and the USDA more control. This would be the first logical step in setting up food rationing.

The amount of food available for your table will depend on how many acres are planted. U.S. farmers are in an ever tightening bind. Reports from all over the country indicate that up to 25% of the farmers will have no crop to reap because they were unable to find financing to plant. Acreage amounts are even more alarming.

Conversations with a spokesman for the Indiana Agriculture Department at Purdue University reveal the current foolish "expert opinion" that "any time the supply of food exceeds six to eight weeks, we are in a surplus position. If the supply of food would run short for some reason, the amount left would be rationed by an increase in price." The "expert" revealed that the situation in Indiana is continuing to deteriorate. He added, "the price of land hasn't come down far enough, but they don't like to hear that. I think the price of land should be \$1,000 per acre or less."

Among the most serious problems the farmer faces is lack of credit. The banks that serve agriculture are nearly bankrupt. In the state of Iowa, which supplies 11% of all the red meat and grains produced in the United States, conditions are now bad enough that the state is very concerned that it will lose most if not all its farmers under age 50.

The food weapon: The case of Brazil

Massive rigging of terms of trade in vital commodities is a principal means of looting Ibero-America's largest nation.

Past *EIR* studies have shown that Third World debtor-nations whose alleged insolvency is the alleged cause of the current international debt crisis, have in fact been paying a subsidy to the usurious private banking system of the north totaling hundreds of billions annually. Without the loot extracted by various means from these nations, the private banking systems of the north would have long ago proved bankrupt.

One of the principal weapons of the International Monetary Fund and the Swiss grain cartels in their looting of the developing nations is the food weapon: the threat to cut off imports of food which, in most cases, simply mean that these countries would starve should they fail to comply with Fund policies.

An *EIR* investigation into the case of Brazil exemplifies the use of this weapon by the IMF to subjugate a sovereign country—forcing it to pay exorbitant prices for food imports, while exporting vitally needed products, virtually for free. One large reason that the Brazilian government has repeatedly bowed down and begged before the IMF, rather than assume the role becoming to the continent's largest nation in providing debtors-cartel leadership, is the IMF's food weapon.

Brazil, according to United Nations statistics, is the second-largest wheat importer in the world. The country imports about twice as much wheat as it produces. As the *EIR* investigation of international trade

shows, Brazil is being "ripped off," right and left, by the international grain and steel cartels.

For any commodity in international trade, U.N. data shows each nation's *terms of trade*, the exporter's valuation of the commodity when it leaves the exporting country, and the importer's valuation of that same commodity when it arrives.

Such statistics show that on a per-ton basis, Egypt in 1982 paid 50% to 55% more (\$240) for a ton of wheat than it was valued by exporters in the United States, Canada, and Australia. Brazil paid 21% to 31% more (\$202) for wheat than Canadian and French exporters valued it. That is no "average mark-up." Italy paid only 3% to 14% more for wheat than its price in the same exporting countries.

In short, terms of trade, a principal means, alongside usurious interest rates, for pyramiding the debts of the Third World, have been massively rigged against the debtor-nations.

For example, Canadian exports of wheat to Brazil left the country at \$173 per metric ton, and arrived in Brazil at \$226; exports to Egypt left at \$152 and arrived at \$236; exports to Italy left at \$180 and arrived at only \$206.

Australian exports to Egypt left at \$161 and arrived at \$247; French exports to Brazil left at \$127 and arrived at \$154; exports to Italy left at \$199 and arrived at only \$206.

U.S. exports to Egypt left at \$161 and arrived at \$241; exports to Italy left at \$182 and arrived at only \$196.

It is difficult to believe that these differences entirely stem from shipping and insurance costs, as claimed by U.N. spokesmen.

The IMF system also extracts a subsidy to the private oligarchical banking system from Brazil through massive under-pricing of its steel exports. Generally speaking, raw steel is raw steel. One may assume that Brazilian steel is of at least adequate quality given the rate at which American steel companies are gobbling up Brazilian raw steel. But Brazil obtains one of the lowest average prices in the world for its raw steel, as the table shows in U.S. dollars per ton:

| | |
|----------|-----|
| U.K. | 399 |
| BRD | 340 |
| Japan | 337 |
| U.S.A. | 255 |
| Brazil | 224 |
| Zimbabwe | 147 |

or almost half the price for steel received by Great Britain, a "post-industrial society."

It is not surprising to discover that when Brazilian finished sheet steel reaches its destinations in France, Denmark, Belgium, Switzerland, or the United States, it is valued 26% to 34% more than the price the Brazilians received for it; and when Brazilian finished structural steel arrives in the United States, the United Kingdom, or the Netherlands, it is valued 42% to 72% more than Brazilian sellers are receiving.

These grim figures show how Brazil and other developing (and developed!) countries have been looted, and how they have been compelled to surrender their national sovereignty to the international commodity cartels. But then, that is exactly what the International Monetary Fund is all about.

Business Briefs

Ibero-American Debt

Debt bomb only temporarily defused

"The international debt bomb has not exploded; it has only been temporarily deactivated," warned Colombian President Belisario Betancur on April 3. In his speech before the Organization of American States, entitled "Dreaming of a United America," he said, "The bomb will keep on threatening the political and economic stability of the world" if economic and financial relations between North and South are not improved.

Betancur also said there is "a greater need for poets than for politicians," pointing out that in "areas of human experience such as art, politics, or morality, history does not seem to support the thesis of continuous progress. . . . To what degree have our philosophers surpassed Plato or our artists Leonardo?"

Banking

Brazil asks Uruguay about dirty practices

The Brazilian government has asked neighboring Uruguay to answer questions about its role in the asset-stripping of a major Brazilian bank. Banco Sulbrasileiro was put into receivership by the government in January after it had gone bankrupt, leaving a \$300 million hole. Brazil's acting President José Sarney seems to have made a deal with the Congress that the government would make one more expensive bailout if the Sulbrasileiro directors were jailed and tried on criminal charges.

Their trail leads to Uruguay, where they recently placed many loans to fraudulent shells. Uruguay has become known as "the Switzerland of South America," and not just because of the stability of its social democratic system. During World War II, titled families among Hitler's supporters in Central and South Europe chose Uruguay for safekeeping of their gold hoards as it became apparent that the Nazis would lose the war. After the war, the flow from Eastern Europe increased and Licio Gelli, Grand

Master of the illegal "Freemasonic" Propaganda 2 lodge, carried the fortunes of Italian fascists there. In 1982, Gelli was found to have filled an entire Montevideo building with his offices.

Uruguay's dollar markets, across the river from Buenos Aires, have thwarted every Argentine effort to maintain sovereign control over its foreign exchange.

Investment

Thailand board rips World Bank advice

Thailand's Board of Investment sharply rebuked the World Bank for "violating national sovereignty" after a World Bank delegation recently advised the BOI to shift its investment policies.

A short statement released to the Thai press on April 3 stated, "BOI officials see the World Bank's interference in Thai internal affairs as an attempt to collect their debt."

In Thailand, as elsewhere, the World Bank has pushed the notion that the country has had "enough industry," and should now shift back toward "appropriate," i.e., backward, technologies.

Real Estate

Iowa land prices hit by depression

According to an economics expert from the University of Pennsylvania, "the land prices will drop 50% more in Iowa during the next year."

A survey made in March of 1984 for Iowa shows the average debt-to-asset ratio of farmers as 29.5%. Divided into three categories they are: 31% with 2% or less; 29% with real estate or operating loans listed by the state as manageable; and 40% with both kinds of loans at an astounding 41% debt-to-asset ratio.

The state claims that only 10% of farmers will go bankrupt, even though the Federal Reserve states that breakeven is 20%; the state claims breakeven is 35%. In addition

it has been openly stated by banking officials in Iowa that without a change, the banking system in Iowa will look the way farming does within one year (see page 20).

Oligarchism

Regan ordered Treasury to back IMF oversight

Under Don Regan's reign at the Treasury Department one year ago, a policy decision was made that "it may be worthwhile for the IMF [International Monetary Fund] to develop a more rigorous approach to surveillance of the economies of industrialized countries," a U.S. Treasury official stated on April 5.

"If this means creating a formal arrangement that provides the capability for European nations to gang up on the U.S. budget deficit and on U.S. defense spending, that is not inconsistent with our policy. We would agree to something that would provide all members of the IMF the right to comment on and criticize the policies of all countries. For a year, the Treasury has supported a formalization of what has been acknowledged to be the IMF's role: surveillance of economies."

Austerity

Argentines take to streets against IMF

Fifty thousand Argentines demonstrated in Buenos Aires on April 2 to commemorate the 1982 retaking of the Malvinas islands, and to express their repudiation of International Monetary Fund policies. Representatives of every political party, ranging from left to right, participated—with the exception of the ruling Radical party. Slogans varied from attacks on the IMF and Great Britain, to "the Malvinas are ours," and "down with the military."

On the same day, it was reported that Argentina's 12 Peronist governors are threatening to resign their posts in protest over IMF austerity demands. Joaquín Fer-

rán, head of the visiting IMF mission in Buenos Aires, is demanding that the Alfonsín government reduce allocations of federal monies to the provinces by 28%; the governors had recently called for a 50% increase in such allocations.

International Credit

Brazil: no more IMF snooping

Brazil will no longer permit IMF investigators to go from ministry to ministry collecting data, its acting President, Jose Sarney, told the press on April 1.

Sarney has ordered the finance minister to channel IMF information requests solely to the central bank. He also reiterated hospitalized President Tancredo Neves's insistence, "The debt will be paid with money, not with hunger."

Debt-for-Equity

Wall Street Journal flaunts asset grab

The *Wall Street Journal* "sweetened" the debt-for-equity grab in Ibero-America by suggesting on its front page on April 2 that foreign banks write down one-third of the nominal value of the debt before moving in to get "ownership of, for example, a petrochemical plant or hydroelectric utility."

The debt-for-equity scheme, essentially a "repossess" notice against entire nations, is now the bottom-line demand of international bankers in their negotiations throughout the continent.

Agriculture

European farm budget in trouble

On April 3, European Community ministerial talks on the new 1985-86 austerity price

budget for agriculture broke down after only 24 hours because of the staunch refusal of West German Agriculture Minister Ignaz Kiechle to approve sharp cuts in grain prices.

The same week, *Business Week* ran a feature on the European farm crisis, predicting that the "long-term trend in both the U.S. and Europe is to cut agricultural supports"—the "free market" line being pushed by the Big Six grain cartel companies.

Development

EIR Peru program featured in paper

The *EIR* economic program for Peru prepared a year ago for the private sector's National Industries Society (SNI) was republished on March 3 in Lima's conservative daily *La Voz del Pais*. The paper includes ample charts and quotes from the "rigorous econometric study," which demonstrated that Peru would do much better if it broke with the IMF.

Ernesto Lanata, president of the SNI's think tank, is injecting his *EIR*-produced program into the hotly contested presidential elections to occur this month.

Invisible Hand

ESM Securities was dealing dope

Robert Seneca, a former senior partner at Florida's ESM Securities, the company whose government securities scams triggered the Ohio banking crisis, was a user and dealer in cocaine, according to court testimony by his former wife.

She told a court: "He doesn't stop [using cocaine]. I've never seen as much in my whole life." She also said that he dealt in drugs "quite a bit," and that another ESM partner, Ronnie Ewton, was also involved in drugs.

The story appeared in the *Miami Herald* on April 3.

Briefly

● **SOVIET TRADE** figures released in early April—despite the U.S. attempt to "block" Soviet trade with capitalist countries—show that trade between the Soviet Union and Western countries went up by 26% in 1984, amounting to \$47 billion.

● **W. ALLEN WALLIS**, the Undersecretary of State for Monetary Affairs whose career started as a pro-Nazi "race scientist" in the 1930s, will be the third-ranking U.S. official in the U.S. delegation to the International Monetary Fund Interim Committee meetings April 17-19. Delegation chiefs will be Treasury Secretary James Baker III and Federal Reserve chairman Paul Volcker.

● **UNEMPLOYMENT** won't hinder recovery, claimed West Germany's Chancellor Helmut Kohl in an interview to *VDI-Nachrichten*, the weekly of the Association of German Engineers, on April 5. Demonstrating unsuspected imaginative powers, Kohl said: "Fighting unemployment has never played a role at the beginning of an economic recovery." German unemployment during the present "recovery" is the highest since 1948—2.6 million.

● **BONN RUMORS** say that the West German central bank is raking in profits from high U.S. interest rates. The Bundesbank will have a prospective surplus gain of 14 billion deutschmarks in 1985, most of which will be made from trading U.S. government bonds, according to the early April rumors.

● **A TUNNEL** through the English channel is British Prime Minister Margaret Thatcher's last jobs-creation scheme, according to German newspaper reports which appeared on April 4. The British government has proposed the cross-channel tunnel to France's President Mitterrand, claiming the project would create 50,000 jobs for a couple of years.

The strategic role of Portugal's fight for economic progress

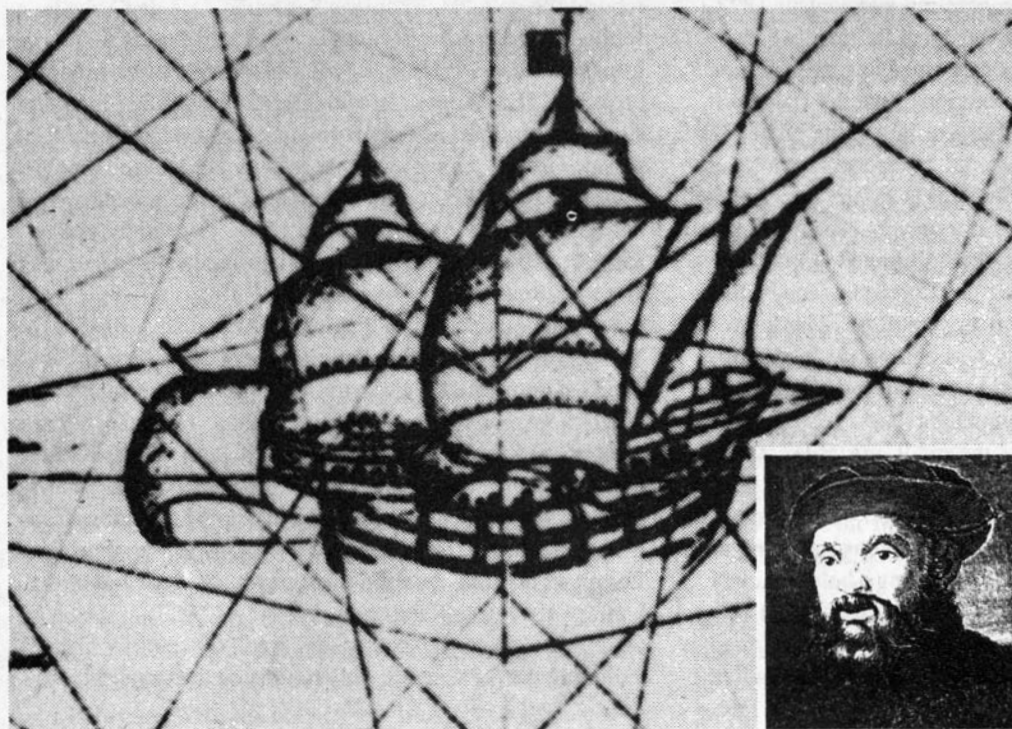
by Laurent Murawiec

When President Ronald Reagan arrives in Lisbon on May 12, he will be welcomed by one of America's most committed European allies, and one of the poorest. He will find a nation that emerged 10 years ago from decades of a stultifying dictatorship, only to be rocked for two years by an attempted communist takeover, which only an energetic intervention by a patriotic military faction ultimately prevented. The nation's economy has been virtually destroyed by a combination of International Monetary Fund (IMF) austerity conditionalities, communist upheaval and destabilization, and 10 years of world economic crisis. But the President will find a nation whose leaders are committed to the Atlantic Alliance, to backing the Strategic Defense Initiative, and to offering the West a chance it must not refuse: "to wage a war for the development of Africa to regain it from communism." Portugal needs from the United States the means to accomplish that, in order to avert the disastrous crisis which threatens to blow apart Portuguese society.

An *EIR* team visited Portugal for a week in March, and issues this report to lay the groundwork for a successful outcome of President Reagan's trip.

Portugal is a debtor nation, economically less developed than some countries considered part of the Third World. Its external debt amounts to \$16 billion, out of a Gross National Product that stands at \$25 billion—an extraordinarily high proportion. Portugal imports 60-70% of the foodstuffs it consumes, and 85% of the energy. Unemployment is at 700,000—with an active population of 4 million, that is close to 20%. A powerful Communist Party (PCP) and a related terrorist movement, the FP25, are the tools of destabilization which any further tilting of the economic balance could render irreversible. Yet lending rates for businesses—close to 35%, determined by the necessity of preventing a permanent collapse and devaluation of the *escudo*—are maintained at some par with the dollar-sector interest rates, and make even economic stagnation, not to mention prosperity, virtually impossible. The IMF and the U.S. Federal Reserve are the best recruiters for Alvaro Cunhal's Communist Party.

In 1974, the Armed Forces Movement (MFA), led by Portuguese officers who intended to bring to an end the ruinous colonial war being conducted in Angola,



Portugal's navigators and scientists played a leading role in charting and exploring the New World. If this tradition is revived today, a vital U.S. ally can be saved from the economic collapse and Soviet strategic manipulation. Shown are long-course Portuguese ships, from a 1529 map, and Fernando Magellan, the first man to circumnavigate the globe.

Mozambique, and other Portuguese colonies in Africa by what Portuguese call the *Ancien Régime*, overthrew the decaying dictatorship of the *Estado Novo*, the "New State" established in 1932 by Dr. Antonio de Oliveira Salazar. Their intent was certainly not to abandon those African nations to Moscow and Fidel Castro; but too much frustration had accumulated during the long night of Salazar's dictatorship, and the MFA was soon overtaken by radical-communist officers, who worked in tandem with Moscow's most dogmatic, cunning leader in Western Europe, Cunhal.

The *Ancien Régime* of Salazar began in 1926, with the military coup that brought to an end the First Republic created in 1910, when the last kings of the Bragança dynasty were ousted. Sixteen years of instability were replaced, after a transitional period, by the *Estado Novo* of Salazar—who remained prime minister until 1968. The *Estado Novo*, which presented many similarities to the "Latin" fascism of Mussolini and even more to the "black-clerical fascism" of Austria's erstwhile Chancellor Dollfus, was enshrined in the Constitution of 1933, which banned all political parties, subjected the whole of civil society to a dictatorship backed up by a feared political police, the PIDE, and balanced the budget and the external accounts—at the price of the economy, whose growth was deliberately slowed down by the regime.

Salazar's motto was, "Portugal is an essentially agricultural country," meaning not that agricultural production should be boosted—it was not—but that the backwardness of rural life was exalted as official ideology and practice. The productivity of agriculture was abysmal. Salazar, we were told,

loathed "urban life, big cities, and industrial concentrations, since those must group a lot of workers, who then become communists." As a result, Portugal limited itself to one principal export (besides the traditional wine trade)—the export of its own workers to France, Canada, and the United States, remitting part of their wages to provide financial stability to Salazar's regime.

The hatred for progress which characterized the *Ancien Régime* had deeper roots. Salazar explicitly based his system of government on the medieval doctrines of the turn-of-the-century *Action Française* of Charles Maurras, and the theocratic doctrines of the theorists of the Holy Alliance and the 1815 Treaty of Vienna, France's wild-eyed anti-republican Joseph de Maistre and his disciples. They maintained that science, technology, industry, urban life, and indeed reason itself had to be destroyed, that the whole evolution of Western civilization since the Renaissance had been wrong and sinful, and that only a return to the Middle Ages' "age of organic harmony" could repair that.

Portugal, after all, was the birthplace of the irrationalist cult of Our Lady of Fatima in 1917—a cult that rejects modern civilization as evil—and as long as Salazar ruled, was maintained under the iron yoke of enforced backwardness by police terror and the ideology of the Inquisition.

The roots of backwardness—and greatness

The evil wreaked by the Salazar regime during its close to 40 years of domination was all the more destructive in that it struck a country already enfeebled by the Napoleonic Wars (1807-14); a seven-year civil war (1828-34); and the loss of

the colony of Brazil, which became independent in 1822. Through the early part of the 19th century, Portugal's history seems to be an endless cycle of oppression, insurgency, and brutal repression, coups, and revolutions, like the 1846 civil war, and the later stabilization was acquired at the price of a social-political compromise that did not permit industrial progress to take off. Portugal became a junior imperialist power, subject to the dictates of major powers—as in the case of the 1890 British ultimatum which enjoined Portugal to evacuate the region that was to become Rhodesia. One British warship sufficed to force Lisbon to capitulate. The loss of prestige of the Bragança dynasty was enormous; it explains much of the 1910 success of the Carbonaro-Freemasonic movement which abolished the monarchy.

Portugal had not always been the small, unstable country this suggests. Prince Henry the Navigator (1390-1460) led a high-powered national policy of exploration, "the Discovery," and gathered to that aim teams of scientists, technologists, skilled workers, and sailors, launching a bold policy of colonization and settlement (island of Madeira from 1417; the Azores from 1427) which discovered much of the African coast, reached the Cape of Good Hope, and led to the Indian Ocean and Asia. The great explorers—Vasco da Gama, Pedro Alvares Cabral, who discovered Brazil, and Fernando Magellan, whose ships realized the first circumnavigation of the world—testify to the extraordinary expansion of a country that counted little more than 1 million inhabitants.

Portugal's fortune, however, was soon assailed by the Inquisition. In 1496, the Jews were expelled, with economic and other consequences disastrously similar to those that hit Hapsburg Spain, which had put pressure on the Portuguese King. The Society of Jesus infiltrated and took over the Asian and Indian trade for the sake of its own geopolitical schemes. Soon the death of the King led to a Spanish invasion and 60-year occupation, started by the Inquisition's own Emperor, Philip II of Spain.

Portugal only recovered with the powerful development of the mid-to-late 17th-century "mercantilist" current, exemplified by Luís de Menezes, Count of Ericeira, whose policy compares well with that of France's Jean-Baptiste Colbert. Ericeira had drawn upon the support of Portuguese "mercantilist" (that is, advocate of a state-directed industrial development) Duarte Ribeiro de Macedo, who was a familiar of Colbert. This time, it was the Treaty of Methuen, signed with England in 1703, that destroyed the great development attempt; Portugal became essentially a wine-exporter and agreed in return for this "deal" to lift all tariffs on industrial imports from England, which nipped its own industrial development in the bud, as the great German economist Friedrich List recounts in his classic demolition of Adam Smith's and David Ricardo's economics.

When Lisbon was devastated by an earthquake and tidal wave in 1755, it could have seemed that the last word had been said on the decline of Portugal. An exceptional statesman, however, used the catastrophe to take the reins and

rebuild the country. That was Sabastião José de Carvalho e Mello, the Marquis of Pombal, who ruled Portugal with an iron fist until 1777. He broke the stranglehold of the nobility, broke the Jacqueries, and ruthlessly imposed his grand design: a centralized and powerful state, the establishment of private Great Companies for international trade and colonial settlements. Skilled foreign engineers and technicians were brought in, new industries launched. Education was reformed, and an ambitious scientific program started, as well as a vast broadening of literacy.

Pombal played a prominent role in the dismantling of the Society of Jesus, which Pope Clement XIV disbanded in 1773—a move that was part of the worldwide strategy that led to the American Revolution. "What a great man! What a great man!" the Pope commented on Pombal. It took the storms of the Napoleonic Wars to suppress Pombal's work. From then, there was no recovery. Portugal did not succeed in freeing itself from the role it was given by the larger European powers, that of a mere pawn. Endless and bloody battles between left and right, between liberals and conservatives, occupied the front stage. And 20th-century history, including the Salazar era, only replicated the same pattern.

The coups d'état of 1974

In 1968, struck by illness, the aging Salazar had to step down, and was replaced by Marcelo Caetano, a friend of Spain's Opus Dei politician L. López Rodo, who sought to industrialize Portugal by emulating what his Spanish neighbors were doing. Development projects were launched, many of them based on petroleum and energy-intensive technologies, to allow the country to catch up with its European trading partners—although Portugal was straightjacketed by its membership in EFTA, the European Free Trade Association, and was not a member of the European Economic Community. Steel, shipyards, petrochemicals, and the project of a major seaport in Sines near Lisbon were typical projects of the time. The industrial population grew, and so did a manufacturing middle class.

However, after the 1961 start of guerrilla warfare in Angola, quickly followed by Mozambique and Guinea-Bissau, the regime was too deeply enmired in its own obsolescence to be able to cope with both. The budget was overburdened by the colonial wars; agitation grew against a rotten, deliquescent dictatorship; and what industrial and general economic development had emerged was choked off.

On April 25, 1974, the *Ancien Régime* met its unglorious end, when the Movement of the Armed Forces swept it away in hours. A great power struggle and lengthy period of destabilization began, as communists and all factions of the military battled for control. With Henry Kissinger running the U.S. State Department, the United States kept the pot boiling. Hours after the beginning of the coup, truck-loads of pro-communist officers raided the headquarters of the PIDE, the secret police, and stole most of the dictatorship's secret archives—which gave Cunhal an extraordinary blackmail

capability over many in the corridors of political power. Those files have thrown a long shadow on Portuguese politics ever since.

What followed was a year and a half of revolutionary disorder. Strikes, sit-ins, demonstrations, mini-coups, strong-arm tactics were used by the PCP and its collaborators in the MFA, Prime Minister Vasco Gonçalves and the histrionic leftist Lt.-Col. Otelo de Carvalho. On May 11, 1975, the PCP arrived within sight of its objective, and imposed through the power of the street the nationalization of the banking system and other sectors of the economy. The "hot summer" that followed brought Cunhal within inches of state power.

Mário Soares, the leader of the Portuguese Socialist Party (PSP), then went to Washington to visit Kissinger. Europe and the West as a whole were terrified that a communist regime was about to take over—a repeat of the Spanish events of the 1930s? Soares has revealed the tenor of his talks with Kissinger—and there is not one political leader in Portugal who, queried on the matter, will not tell the story. Kissinger told Soares, "Mr. Soares, you are the Kerensky of the Portuguese Revolution. Do not return to Portugal, stay here in the United States!"

"Kissinger tried to sell our country cheap to the Soviets—but the Soviets were mostly interested in Africa then, it was too early for their plans in Europe, they wanted a major capability in Portugal, but not the country," a leading Portuguese military figure says.

Constitutional stability restored

The "hot summer" of 1975 was an uninterrupted series of attempted PCP mini-coups. Cunhal could see himself in the role of Lenin—the Winter Palace was in sight. It was then that a rally of patriotic military leaders, led by today's President Ramalho Eanes, put a stop to the communist insurgency. On November 25, 1975, they expelled the pro-communist leadership of the MFA and set off a process of constitutional stabilization, which led to the election in 1976 of General Eanes to the Presidency. The ranks of the Socialist Party of Mario Soares were swollen by nationalists looking for a rallying point against the PCP.

But removing the formidable dangers posed by Cunhal and Kissinger did not suffice to ensure the welfare of the new republic. The IMF imposed its conditionalities upon the country's tottering economy. The minority Socialist government accepted the conditions, hocked part of the country's gold reserves in obeisance to the IMF pawnbroker's edict, and embarked upon a course of austerity, swelling the bureaucracy and other unproductive sectors. Devaluing the *escudo* made traditional backward industries such as textiles, clothing, footwear, and ceramics "more competitive," but also made sure that the promising, more technology-oriented and skill-intensive industries like mechanical engineering and machine-tool production, took a nearly fatal beating. Unemployment rose, at a time when nearly 1 million Portuguese refugees flocked in from the African colonies, and had

to be reintegrated in Portuguese society, as well as hundreds of thousands of "guest workers" returning from crisis-stricken West European countries.

The present economic situation is an unmitigated disaster. Inflation stands at 29%, unemployment officially at 11%, the foreign debt at \$16 billion, the trade deficit at \$2 billion, and the budget deficit at \$1.8 billion—equal to the service paid on the foreign debt. The vertiginous collapse of the *escudo*—which has lost 9/10ths of its value to the dollar in 13 years—has worsened the problem of debt repayment, which engulfs one-third of the budget! Last year, Portugal sold 49 tons of gold as a stop-gap measure to repay old loans, while capital flight accelerated and the reduced numbers of emigrants sent home less money from abroad. Private industrial investment last year was down 15%, and the public companies depend heavily on state subsidies, or are forced to borrow on the international markets.

The "black economy" is officially estimated at 11% of GNP, but sources in Lisbon put it as high as 30%. Several hundred thousand workers have not been paid in 6, 12, or 18 months, while those fortunate enough to get their pay checks have seen their purchasing power drop by 20% in seven years. The IMF—called in again by the present coalition government—insists on squeezing wages further down. Exports must increase, the IMF insists, and they do: Massively undervalued products are sold below their effective cost of production and the overall cost of reproducing the Portuguese economy, and increased by 14% last year as a result, while imports dropped by 5.5%.

Not astonishingly, the Soares-IMF austerity package cost the PSP its government position in the 1979 elections, as Soares's party drew upon itself the opprobrium attached to IMF policies and capitulation to the Fund. This brought in a center-right coalition led by Prime Minister Francisco de Sá Carneiro—himself killed shortly thereafter in a plane crash. The principal parties of the Left, Right, and Center have been fighting within the constrained environment of zero and negative growth, of social tension exploited by the PCP and a labor movement it broadly controls. Nine governments have succeeded one another since 1974, none of which has been able to cut the Gordian knot of austerity.

But Portugal, a nation of 10 million inhabitants living in less than 100,000 square kilometers, had in 1975 an infant mortality rate as high as 38.9 per thousand—compared with Spain's 11.1 or Italy's 15.1—a rate closer to that of some Latin American countries. In 1970 the rate of illiteracy stood at 29%. Portugal does not have one nuclear power plant yet. If the PCP and Henry Kissinger failed in their designs a few years ago, the permanent destabilization led by the PCP has gained credibility in the eyes of impoverished workers and farmers, whose purchasing power dropped by 13% last year alone. There is hunger today in Portugal. The shock of 1974 did not destroy the nation at one blow, but the insidious undermining that followed might be closer to achieving the same result.

Presidential elections are scheduled for the end of the year, and President Eanes will have to step down in January, since the Constitution precludes more than two mandates. Much byzantine maneuvering is underway among the political parties, and the fragile government coalition of PSP and PSD might blow apart before that, and early legislative elections be held before the presidential ones. It is not the intricacies of the political playpen however, which really matter. More to the point, there is one current in Portugal which advocates "transforming the country into a new Singapore, with off-shore banking and finance, reintegrating the black economy, free enterprise zones, etc.," which would destroy the industrial economy. A leading political figure explained that "our youth are already looking too much to the stars. It is natural of course for them to be excited by great projects, development, space exploration, but we have so little to offer that they leave the country."

Portugal's future—and its allies

Where could solutions be? Every political and military leader met by *EIR* in Lisbon stressed that Portugal's experience and expertise must be brought to bear by the West to develop Africa. This is not only a matter of regaining Africa from the twin brothers of Soviet control and economic destruction for strategic reasons. Portugal's labor force, its linguistic abilities, its experience, must be used in the framework of a plan for triangular cooperation—both United States-Portugal-Africa and Europe-Portugal-Africa—to develop infrastructure, training, and overall economic development.

The enthusiastic response to *EIR*'s March 15 conference in Lisbon on beam-weapon defense shows the potential for another promising orientation: that of using Portuguese participation in the Strategic Defense Initiative as a lever to develop high-technology industry. Machine-tool production and research in lasers and plasma physics could begin an economic development program aimed at "leap-frogging" from the present backwardness and low productivity, directly into 21st-century technologies. Similarly, the Armed Forces need new equipment, a new mission and doctrine—and the conditional deals for military aid which have prevented Portugal from developing its own arms industry must be revised in the same light. Portugal is not just a major base at the Azores, a refueling and stopover capability and convenient port of call.

The precondition is the end of the IMF's financial dictatorship. The choice will be open to President Reagan in the next weeks. "Portugal is not a desk at the State Department!" one hears often in Lisbon. A collapsing ally, one might add, is no asset at all. The United States alone has the power to save Portugal from what could otherwise be the path to renewed revolutionary troubles and civil war.

The following interviews were conducted in Lisbon by EIR's team of correspondents—Elisabeth Hellenbroich, Michael Liebig, and Laurent Murawiec.

Interview: Dr. Rui Machete

Portugal is open to the SDI program

Dr. Rui Machete is Portugal's deputy prime minister and, since February, defense minister. He is a leader of the center party, the Partido Social-Democrata (PSD). EIR interviewed him on March 11. Text excerpted.

EIR: Dr. Machete, what is your view of the developments associated with the Strategic Defense Initiative?

Dr. Machete: First of all, you must remember that Portugal is a small European power, with many friendly links to the United States, and our history for centuries has emphasized the Atlantic Ocean as our horizon. We are in that sense divided between two horizons, that of Atlantic policy and that of European policy.

On the SDI, first, we recognize that Europe needs to have a defense policy. I cannot understand why Europe has not been able, for so many decades after the war, to have a defense policy. This does not mean a policy against the United States, but that Europe ought to have its role in international relations.

With the recent debates on missiles, pacifism, neutralism in Germany's public opinion, reunification, etc., some Europeans fear that the U.S. could tell us one fine day, "We feel that we are strong enough to defend ourselves isolated from Europe," and there are documents that show that.

EIR: You mean the Nunn Amendment for example?

Dr. Machete: Yes, the withdrawal, the recall of American troops. U.S. troops in Germany have the same role to play in Germany as the French atomic capacity: to create a situation which would involve the United States. A French nuclear strike would create a higher-level conflict, or many American soldiers would be involved that the U.S. could not neglect the conflict. The eventuality of a recall of those troops would create an enormous shock in Europe. The Strategic Defense Initiative, in turn, creates a new situation: Is it a specifically

American thing, would it protect the United States against Soviet attack? The fact that cooperation can take place with Europe means that a scientific gap between the U.S. and Japan on the one hand, and Europe on the other hand, would not be allowed to increase, which would be very dangerous for Europe and for the world. Next, the SDI creates a new situation in East-West relations. I agree that the Soviets will not easily allow the SDI to be implemented in Europe. But the very fact of the existence, the possibility, of the SDI is a new element.

First, the idea of Euro-American cooperation on the SDI is very important. Second, it will permit stationing of such systems in Europe—and could create in public opinion on both sides of the Atlantic the idea that the link remains, that “isolationism” does not exist, or that tendencies for a “West Coast shift” do not exist in policy.

EIR: Henry Kissinger’s doctrine that the United States will turn away from Europe and concentrate solely on the Western Hemisphere, the Pacific. . . .

Dr. Machete: Exactly. This is resented in Europe in many places. As to the scientific and strategic issues of deployment of weapons systems to defend against Soviet weapons that are targeted on Europe, I consider this as very, very important. It could also allow us to reshape NATO—an institution that played a very important role in the past but, in the last few years, has been criticized, because it did not have the ability to cope with problems of democracy, welfare, political culture, problems among members—like the problem between Greece and Turkey—and the economic crisis. NATO is absolutely incapable of dealing with such problems, being strictly limited to the military sector. This may have created the sentiment that NATO is only a club for the military, not really dealing with strategy, a very poor role in mobilizing the West for great projects, and that the professional soldiers that get together there are only dealing with professional military matters. That’s at least the impression the laymen gets.

This brings us to the economic question. The whole of Europe, and particularly my country, are facing a big financial and economic crisis. And this crisis is mainly a monetary crisis. The fact that the value of the dollar is increasing and the parity rises all the time creates very, very, very serious problems. The foreign debt rises; it is clear for my country, not to speak of the Third World. The foreign policy of President Reagan may have a contradiction between defense and military policy—his dream and his project of a vast, united West against the totalitarian Soviet Union, on the one hand, and on the other hand, his monetary policy, mainly as far as the IMF is concerned. The IMF in Portugal has not created the kind of resentment—and the resentment against the U.S. as identified with the IMF—as has been generated in other countries. Portugal is one of the European countries with the least anti-American feeling. We have no popular anti-American feeling. On the contrary, there is a feeling of friendship

and sympathy toward the U.S. Of course it could disappear—such things are not forever, they depend on circumstances. But the IMF represents *doctrines* which are a problem. The IMF applies method taken from the U.S. which mean nothing in other countries. It’s like putting a Rolls-Royce from a highway into a desert. Of course the Rolls-Royce is a beautiful and powerful car, but in the sand it does not work.

In Portugal, or in developing countries, the fact is that the way the IMF is acting—and the impact of the dollar policy—could lead to a crash, we do not know when. Now, it’s very easy to print dollars, but it costs very much to countries that need to pay in increasingly expensive dollars on the world markets—it’s true for Germany, for France, for Britain, as well as Portugal.

EIR: It is our view that defense starts with a strong economy. . . .

Dr. Machete: And a moral mind, they are interconnected.*

EIR: The other aspect is to leverage the SDI into a new industrial and technological revolution.

Dr. Machete: Perhaps this will be one of the ways out of a very bad present situation. Sometimes we wonder, ask ourselves, what can we offer to our youth? It is not a slogan for a rally, it is real.

EIR: What could Portugal do to participate in Euro-American cooperation on the SDI? Do you consider such collaboration as desirable for your country, and what areas would you wish it to concern?

Dr. Machete: Our first reaction is positive, it is one of openness. Secondly, we must realistically consider that we have limited means, and must choose carefully where it would be most useful for the project itself and for Portugal. We have industries that must be developed, supported, aided. We have some problems with our debt. We have military problems—the Navy, the Air Force. They must be strengthened. This must all be considered within a new approach which requires careful study. That is why I say that our first response is positive and open—we consider that this must be used, we are interested in it.

We are aware that we are not a medium power but a small power, but we can have a role—and our geographic situation is important on the strategic map. There is the Atlantic, the fact that we are part of Europe, and we have our relations with Africa’s Portuguese-speaking countries, where many things can be done. It’s not that we “dominate” these nations or want to, but if we had the means and support to engage in triangular cooperation, we could intelligently do many things. If the idea is only to sell things, to do business and nothing else, our leeway is very limited. But then, we can do much for education in Africa, primary, secondary, and technical schools, training, administration, diplomats—they use our language. This all requires financial means, skilled manpower—with our limited resources. It can be done, with support.

Strategic defense: Europe should join in a 'Manhattan Project'

EIR interviewed Gen. Lemos Ferreira, the Chief of General Staff of the Portuguese Armed Forces, in Lisbon on March 14. Gen. Lemos Ferreira had already expressed views favorable to the Strategic Defense Initiative on March 3, shortly after a visit to SHAPE headquarters in Belgium. Text excerpted.

Lemos Ferreira: The Strategic Defense Initiative is controversial. For many, it is difficult to distinguish what is essential and what is not. For many, the SDI is a strange thing. With big spaceships armed with lasers and blowing away at the whole world, it is "star wars." This view of a "war in space," placing all at the mercy of the great powers, implies that we might all disappear! It would be a laser holocaust, not just Hiroshima and Nagasaki, but everything.

Well, they do not know what they are talking about. We will tell them, through the Atlantic Alliance, internationally: The Soviets have been developing their arsenals for 10-20 years, they have an edge in quality. We cut our aircraft from 10,000 to 7,000 and then again—not they. To the contrary, they have no welfare of populations to take in consideration, no public opinion to reckon with.

Now, Chernenko is dead, the new man is in, the machine works.

So it is very important to give the public the right idea. Look at NATO: Its main mission is to preserve peace. For this, parity is needed. But parity *on our own terms*. There must be a balance, spending to that aim, but we must not jeopardize welfare, schools, housing. And the Soviets are not faced with this. We can push them, and then they might have to come to the negotiating table. A large increase in the funding and the technological work and the spending on our side—such are our terms, our cards. Let's face it: The proper terrain on which to fight them is not matching their every aircraft, their every warship, etc.

The SDI? It is a second industrial revolution. Why spend \$25-30 billion? It is not just *spending*, to send some very fancy things into space and aggressively fight there. We must tell people, *there is no such spending without a very large*

spinoff. People now are very happy with transistor radios, integrated circuits, computers—that all comes from the American space effort of the 1950s and 1960s. Larger rockets were needed after the Soviets had launched theirs, so the U.S. had to miniaturize. It has now become a fact of daily life. It has implications for medicine. The spinoffs are immeasurable, *and cannot be measured in terms of insurance accounting*. We must tell people: *Spending in the SDI is investing*, the payoff will be multiple. We're not going to space "to fight."

A major difference, though, exists between the Americans and the Russians: The Americans seek technological discovery and the economic spinoff. All the object of the Soviets is military, with some added side-effects. Who put up space stations first? The Soviets. The Americans seek science as well—how the universe came about. But why do you think the Soviets broke all records of space-flight duration? For military reasons.

EIR: What about Europe's view and position on the SDI? The Soviets are intent on decoupling Europe, and the battle is not won yet. The danger of a "New Yalta" remains. Gorbachov—and Marshal Ogarkov, who has not been demoted, but promoted to a position of extraordinary power—are dead-set on preventing the SDI. What is your own view on those points?

Lemos Ferreira: I am very pleased with what you said about Ogarkov. Reading the newspapers, but knowing their military system, I knew that he had not been pushed aside. You never know from the outside who is really who there. Gorbachov is not quite the real power.

EIR: For the Soviets, returning to Geneva was somewhat like going to Canossa. The Ogarkov doctrine is quite simple: Go to war if need be to stop the SDI—but try to decouple Europe beforehand, if possible.

Lemos Ferreira: I agree fully. They are looking for decoupling, and decoupling could be a threat, in business as well as in political terms. The so-called Nunn Amendment itself

is pure decoupling. The Atlantic is a bridge with two pillars, but the bridge will fall should one of the pillars fall. Enhanced European cooperation is required, but reviving the Western European Union is not an option, I think. Between the EEC, NATO, and WEU, all efforts are converging somehow. But the most important thing is that resources must be pulled together to avoid decoupling.

The main issue is the role and place of West Germany. You cannot circumvent the fact of the present division of Germany into two states. It is one nation. And then, the Soviets want world dominance, like long-term chess-players, with their carefully calculated moves. They have time, and they are moving. Look at what they have gained since the last world war! Look at terrorism, which is not a fingertip-controlled thing, but small groups, each with its own philosophy. But how do they get directly activated? There is a connection.

In the events in Africa [the decolonization of 1974-75 in Angola, Mozambique, and other Portuguese-speaking nations of the continent—ed.], the U.S. State Department made a major mistake, thinking that we should withdraw and evacuate—with the idea that no vacuum would be created. We withdrew and the Soviets moved into the vacuum. All whites left Africa, leaving the local populations without support.

EIR: We have been told that Henry Kissinger told Mario Soares at the time, “Don’t return to Portugal. You are the Kerensky of the Portuguese revolution. Why don’t you stay in the United States?”

Lemos Ferreira: In 1974-75, the Soviets did not want Portugal. It was too early for their plans. They wanted Africa.

EIR: You spoke of the Soviets as chess-players who have time on their side. But isn’t President Reagan’s SDI exactly what takes time away from them?

Lemos Ferreira: Exactly! That’s why they’re so angry about it! They play their card, they play on fears. That is why it is so important to tell people about the connection between the SDI and the emerging technologies. The SDI presents the Soviets with the option: “Can we produce the same weapons fast enough?” If we go faster with the SDI and with the new technologies, can they, the Soviets, catch up? They have to make a choice.

It is also dangerous. In the last 15 years, the Soviets have accumulated military power. Look at their tanks: T55, T62, T72, T80—there is always something new coming on line. It is the same with aircraft, with the Navy. Their new power projection is obvious. Right now, they are switching to aircraft-carriers after having trained with helicopter-carriers. Now, what do people think these things are for, like their tanks? To be flower pots along the roads?

EIR: What is your sense of the Soviet game in the Mediterranean?

Lemos Ferreira: They are playing northern Africa very much. There have been bread strikes and riots in Tunisia, in Morocco—although not in Algeria, and of course, not in Libya. Of course, Qaddafi to them is an unreliable ally; he’s even unreliable to himself. But Morocco, this is our neighbor, and even we do not pay it sufficient attention. Morocco is a card played by the Soviets not so much Machiavellianly, but opportunistically. The same goes for Greece and Turkey. The Turks are used to the Russians, they do not let themselves be taken easily. Nor is this the case for the Greek people. But politically, it is now problematic. *The southern flank could suddenly break down. It is a soft belly of NATO.* If Greece bolts, the whole region is interconnected. Portugal and Morocco are two small countries, the entry point of the Mediterranean. Spain has an Arab role, but a rapprochement with Morocco is difficult, for obvious reasons. But we can have a rapprochement with Morocco.

EIR: How could Portugal join in the SDI?

Lemos Ferreira: There are many officials in Europe who think: We do not have the means to do it, the SDI looks fine, but we’re not involved. Other countries ask: What’s my part in it? If the United States is able to go to Europe and try to share in a “two-way-street” fashion, this will help to brush aside the difficulties, the resistance. People will think: We are part of the project, we have something to gain.

It is of course difficult sometimes for the United States—well, for the State Department—to deal with different countries one by one. We are a people! It’s not like filling in boxes on a tax-return form. They call Spain and Portugal “Iberia.” What does that mean, please? Geographically, it is correct, but less so strategically, and politically, it is incorrect. These are two different entities with two different roles. If you’ve been independent for 900 years as a nation, there is a reason for that.

So, Spain and Portugal: Don’t force us to work together. We’ll work better if we take the initiative of collaboration. We work very well with the Spaniards.

Now, to come back to your question, with the SDI, what is needed is a *Manhattan Project, an Apollo Program*. But the next five years are dangerous. If the Soviets think: “We can attack now, not later,” they will be tempted. We must stop this temptation. If the Soviets should strike, they will strike on the direct route, not on the periphery, with mass effect, the mass impact rolling on, in the shortest possible time. They play chess? Fine. But if they have to roll on, the armor will roll on.

Now, with the SDI, Europe, and technology, we must share in the economic development. Portugal, on our own scale, can contribute. This is a very important element in the viability of small countries. In Portugal, the IMF is applying a lot of negative pressure, no pressure on the positive side. The IMF’s list of demands is a list of “nos.”

Fight communism with development

Mr. Veiga Simão, Portugal's Minister of Industry and Energy, gave EIR this interview on March 18. Text excerpted.

EIR: Can you tell us what the situation, the background, and the perspectives of Portuguese industry are?

Veiga Simão: For a long time Portugal, under Dr. Salazar, had a policy of protectionism, and industrial development was centered on the domestic market. That was the strategy. It lasted a long time. In the 1960s, however, Portugal decided to go ahead with a new policy. Very unfortunately, all the industries that got started then—heavy industries, naval construction, petrochemicals—came at the wrong time. If they had been developed 20 years before that, they could have given a more solid basis to Portuguese development. But since they came too late, with the competition of the other countries and also the first energy shock, all those companies—like our petrochemical industry, our chemical industry, which are public companies, and were developed based on petroleum—were built at the wrong time, not on our own capital but with dollar loans. As a result, we have quite a number of investments which cannot pay for themselves. Some of them will have to be closed, or at least taken over by the state.

Portugal's development came at the wrong time, and its technological aspects were subject to a protected market and were oriented to the African markets, the newly independent nations, always with state protection. Competitiveness and modernization were not important factors. If you look at the industrial structure here, a great part of industry is technologically obsolete. The big effort must be to acquire progressive technological autonomy, in the knowledge, of course, that full autonomy is impossible.

Where are the fundamental points to be tackled? I have developed a Technological Plan for the various industries. An industrial policy is difficult to develop for many years ahead. It is, however, possible to define the guidelines and have a philosophy for a new type of development.

I believe that heavy industry has no future in Portugal. It is necessary to restructure some of it here, not to expand it. We have a steel mill, the government is now discussing whether we should close the production unit and leave only transformation, or if we should modernize it. Look at heavy

mechanical engineering: There are quite some units which we are trying to restructure so that some be closed, some modernized. The future is more light industry, small and medium-sized industry, with products of high quality rather than mass production.

EIR: The situation in the United States is schizophrenic: on the one hand, a "McDonald, Burger King" recovery, the largest employers—that's not high technology. On the other hand, the U.S. moves fast forward with the Strategic Defense Initiative investment. This is a new industrial revolution: lasers, plasmas, fusion, space, etc. So, on the one hand, the fakery of a debt bubble, on the other hand, industrial revolution. This brings us to this: What will America's allies do now?

Veiga Simão: These are two problems. You say that new processes, new technologies can be developed which permit us to produce much better those goods which we need if we are to be expanding and developing, especially the Third World. Those processes and products are essential.

How are we going to participate in the development of the Third World? These countries cannot do it by themselves at present. It is therefore necessary to have a new policy, in which Europe could exercise a degree of leadership. The Portuguese, the Spaniards, the French, the British and even the Germans, have more experience in terms of especially Africa. All those countries are now in economic difficulties, and they cannot afford to participate in Third World development, they say in discussions of the matter. They are short of funds to help the development of Africa, Latin America. How can this be changed without the United States?

The problem is that at the moment, I believe that in Europe, for years, there has not been a lobby capable of dealing with the U.S.A., giving force to new ideas, new relations with the United States. You say that Mrs. Thatcher is wavering. France, you say, is not secure. In Germany, they have a better defined position vis-à-vis the United States. Then there are the small countries. If we do not organize and explain a new philosophy of relations that can gain force within Europe, the possibility of having a good effect is very small.

Next, another idea for Euro-American relations: After years of decolonization of Africa, I believe that Africans are fed up with the Russians. There is a vacuum, but nothing is being done there.

EIR: Then your policy is to tell President Reagan: We can regain Africa for the West, but we need the means!

Veiga Simão: Can President Reagan be convinced of this, he can be convinced to help wars against communism, but can he be convinced to help development against communism? When I went to the United States with Mário Soares, Reagan told us that the policies of the IMF are correct, the World Bank's policies are too permissive.

IMF blocks all hope for democracy

Mr. Alegre, a leader of the Portuguese Socialist Party, is the head of the Portuguese National Assembly's Foreign Affairs Commission. EIR interviewed him on March 12. The text is excerpted and translated from the French.

EIR: Mr. Alegre, Can you tell us about the role played by the IMF, notably in Africa?

Alegre: In my mind, the role of the IMF is very negative for Africa—and elsewhere. It is not appropriate to the crisis in which the world finds itself now. The conditions imposed on my country by the IMF are difficult to reconcile with progress, with development in a democratic framework. They are difficult in a European nation such as Portugal; they are incompatible with Africa's, with Latin America's, democracy. Any future-oriented project there demands a change in the policy of the monetary authorities. The IMF is the principal enemy of any solutions: It blocks the potential for development and even for democracy. You cannot base democratic regimes on misery, starvation, and the lack of a productive apparatus—on debt and so on.

EIR: What about the Soviet efforts to gain and keep Africa within its own sphere of influence?

Alegre: The Western countries, notably the United States, have not understood the process of liberation of Africa, and have not had a policy to cope with it. The United States as a nation was in the best position to be able to understand this problem and solve it, since the United States itself came from the first war of liberation against colonial rule; also a large part of its own population is black, and they have immense cultural, historical means of understanding what was going on in Africa.

Europe did not understand either. It impelled those movements in those countries that had to go to war for their liberation, to turn to the Soviets—and pay the price in the future of the help they received then, and even enslave their independence to the aid received during the liberation fight. But the fault lies with the West which, instead of grasping what was going on with Africa's process of liberation, instead of helping those African nations to liberate themselves in a free, democratic framework, supported colonial wars against them, like the wars of Salazar.

Economically, the type of aid the U.S.S.R. can give is not what the countries need. The type of technological aid the Soviets can give cannot solve their problems. The linguistic, cultural handicaps are too great. The question is whether the other side—the West, and especially the U.S.—will have a new understanding, a new attitude, a new policy. Military aid is obvious; if it does not come from the West, it will come from elsewhere. But fundamentally it is the economic and technological aid they need. Portugal has a privileged situation, due to its history, its culture, its language, and its own situation. We can bring the Africans the type of technology they need. But we do not have the financial means to develop this cooperation. Hence the projects of triangular cooperation with Africa and the United States. We need a real mobilization.

EIR: What should Western and American policy be, in your view, concerning Africa's development?

Alegre: First, stop the demagogy! There has been too much talk of "North-South dialogue," and so on, and it is pure rhetoric. There should be closer collaboration between America and Europe to have a closer link with Africa. We must first understand that things have changed: European countries are not colonial powers any longer, nor the masters of raw materials. They must change something at home. There still are industries based on cheap African raw materials and artificially maintained markets in Africa. This must change! Western nations, Europe, must, in cooperation with the U.S.A., promote a development not based on the misery and the debt of such countries or our own interest. Those countries need a kind of technological aid which fits the requirements of their development, and is of benefit to Western nations. Minds must change. Europe cannot have old-style relations with Africa.

You cannot have "development" without infrastructure—transportation and all the rest. In many African countries, the crisis is in particular a crisis of transportation. We must develop Africa starting with the beginning: ports, transportation, railways, domestic markets, road, small towns, and so on, energy.

EIR: Let us return to the financial aspect. The West has the required financial instruments to extend low-rate, long-term credit to large projects in Africa.

Alegre: Yes, but we have not been able to continue doing this given our own financial situation.

EIR: If you had three minutes to talk to President Reagan and tell him what Portugal thinks is necessary for Africa's development, what would you say?

Alegre: To have the Americans understand that the United States has no future unless it turns to the outside world, to the development of Africa and the rest of the world. It is America's pioneer spirit which must turn toward the outside world.

'I am completely in favor of the SDI'

Angelo Correia, chairman of the Defense Commission of the National Assembly and a member of the Partido Social-Democratica, was interviewed by EIR on March 12. Text excerpted.

EIR: Mr. Correia, could you describe Portugal's strategic situation, and give us your view of it?

Correia: You must realize that I speak on my own behalf, not on behalf of the Defense Commission. I speak on behalf of my party, the PSD.

This world is bipolar. Portugal is located in an *apparently* peripheral part of Europe. In geographic terms, it may be; not in political terms. Portugal is something of a pivot for the Alliance. Our assets and our vulnerabilities stem from our geography. Portugal is a key area for Europe's rapid reinforcement from the United States. If anything happens in the Central Front, a strike in Europe, you need a rapid reinforcement from the United States: You reach Europe through Portugal.

Secondly, NATO is conceived for European conflict, conflicts occurring in the north, and excludes out-of-area conflicts. In fact, it is impossible to decouple what goes on in Europe and the growing circle around Europe: Attempts at controlling raw materials, oil, minerals, the sea lanes—this kind of conflict is becoming increasingly important with the growing importance of indirect strategies, in North Africa, the Middle East, southern Africa, and the South Atlantic. Geography places Portugal in a key location for the United States' Rapid Deployment Force stopovers and refuelings.

Think of the 1973 Yom Kippur War. We had to accept American planes stopping in the Azores. During the Shaba [Zaire] conflict, they stopped in the Madeira Islands. The United States is now projecting an enlarged fleet and facilities there. That is a second strategic value and asset.

The third concept is not directly military, but political: Portugal's relations with Africa, the relationship between Africa and Western civilization. And it is an asset to have capabilities in Africa.

EIR: The Ogarkov Doctrine stresses direct assault in Europe, with a *Blitzkrieg* capability brought to bear. What im-

pact does this have on your own position?

Correia: If there is an assault, it will be in Central Europe. Portugal is not directly involved, but indirectly. It would start with the hunting of Soviet submarines in the Atlantic: You must control the area between Iceland and Norway and the South Atlantic. If you don't, you cannot reinforce Europe, which must essentially be done by sea. The most probable military threat would involve two areas: the mining of our territorial waters—the Azores, Madeiras, our harbors—and diminishing the capacity for operations, restricting the surveillance and patrolling activity. The operational capability of NATO would be restricted. Such are the two main targets.

Next come the political aspects, the efforts of the Soviets to decouple Europe from the United States. Twenty years ago, there was an umbrella, MAD worked. But later, with the coming and then realized strategic parity, Europe was actually threatened with a tactical Soviet strike; their conventional forces became a risk. Strategic balance as such was useless.

The mistake that some political leaders in Europe are now making is to accept the very possibility of decoupling from the United States. Soviet superiority has not been fully realized in Europe, or people have been afraid, or they behave like Finland. Europe may think that reaching a partial relationship or an ambiguous relationship between the United States and itself would be more acceptable to the Soviet Union, and that this was paying due regard to Soviet superiority.

Now to come to the Strategic Defense Initiative: It is a totally logical consequence of all this. The SDI is first of all a *defensive strategy*, which reduces the danger of nuclear annihilation of the Earth, reduces the first-strike and second-strike capacity of the Soviet strategic missiles, be they SLBMs or ICBMs, makes all arsenals obsolete. It is the greatest deterrent and the least polluted defense we could reach for the U.S. and for Europe. The ABM Treaty, the SALT agreements, authorized one ABM system. The U.S. never deployed one; the Soviets did so, around Moscow. Why say no, then, in the name of the ABM Treaty? The SDI—well, by 1990 or so, 85% of Soviet strategic missiles will be useless. It augments our defensive capability. It is *not* a militarization of space; it is avoiding the penetration of missiles on our own soil. It does not hurt people—that's the third element.

So I am completely in favor of the SDI. The SDI is not what the Soviets say, "militarization of space." No! Space is full of military satellites, ICBMs. The SDI is the new way of preventing the destruction of Earth, of territory, of human life—the most deterrent effect on Soviet strategy, by rendering their capacity useless. Why is Moscow attacking it? Because with the SDI, they are deprived of their political tools. They know that all their investment, their financial efforts, are becoming useless: 85% of the missiles useless within six years, or even more than 85%.

'Africa needs our technology'

João Salgueiro, a member of the Partido Social-Democrática, is chairman of the National Assembly's Economic Commission. EIR interviewed him on March 13. Text excerpted.

EIR: Mr. Salgueiro, what are the effects of the IMF's conditions on your country's economy?

Salgueiro: I have always protested against the IMF policy, which is a short-term one, mainly concerned with short-term adjustment: If you adjust your short-term balance of payments, it creates a lot of trouble for already existing enterprises—bankruptcies, spread evenly across the board, but worst in the chemical industry, in durable goods, due to cuts in consumption. Food was not so affected, nor were services. But construction, mechanical engineering, and durable goods were. Infrastructure was delayed as a result of reducing government expenditure. Private investment was also badly reduced, very depressed with our incredibly high interest rates. We used to have low interest rates before the revolution, the idea was a very stable economic and political system, and one element of that was low interest rates and very low inflation. After the revolution it was the contrary. We don't have yet Latin American rates of inflation, but for Europe it is very high—last year 29%—and therefore, lending rates for industry stand at 31-32%, which is enormous. These rates are punitive for already existing companies and a very bad background for creating new ones, because without economic expansion, there will be no investment.

EIR: Recently, former President of Venezuela Herrera Campins stated in Buenos Aires that the IMF was the best recruiter for Soviet designs. . . .

Salgueiro: Well, I am not entirely sure. At least in the Portuguese situation, we have to add two qualifications. First, the IMF came into the picture when we proved unable to cope with our own problems. Most politicians prefer to tell the people they have to cut wages because the IMF imposed it; they could as well introduce some reforms to reduce bureaucracy and current government expenditure. But they prefer not to do that, keep on spending subsidies, create new bureaucratic jobs. In the end, since we spend too much, the IMF

comes in and tells us to cut—the private sector! In the last two years of IMF action, we had a growth of 3% in real terms of government expenditure, a cut of 1% in private consumption, and a 15% drop in private investment. Now it is election year, 1985, with double elections—the government is expanding the economy, increasing government expenditure. It is not entirely the IMF's fault. But the IMF is not helping—unlike the Marshall Plan, which was helpful, and set up new projects, the simultaneous expansion of many countries, while the IMF does the contrary.

EIR: You describe a vicious circle, where IMF-enforced devaluation favors the traditional sectors of the economy at the expense of the modern ones. One irresistibly is led to think of the 1703 Treaty of Methuen with England, by which Portugal was assigned to be a mere exporter of wine and an importer of textiles, and saw its nascent industry destroyed in the name of the holy cows of competitive advantage and international division of labor. What could you do without the insane Fed and IMF policies?

Salgueiro: It's difficult to say, since it would depend on external markets—we're a very small market ourselves—and we won't create a new Albania here. How will the EEC question be solved? What will happen to Africa and South America? We won't be able for a few decades to compete with high-technology exporters. But we could become very competitive in medium-technology sectors, what the new countries exactly need. That's what we were preparing ourselves to do before decolonization, which stopped it, what we were doing in Angola and Mozambique, nations that are badly destroyed now but were among the most developed in Africa in terms of transportation, energy, agriculture, dams, new forms of agriculture, telecommunications. This we could do. Our people have always been able to work in tropical countries. Language is not a problem for Latin countries, for French Africa, for Spanish- and Portuguese-speaking countries. On the other side, we have always had large colonies of Portuguese in Western Europe, in America and Canada, markets that could be interesting for more traditional goods, or at least skilled labor-intensive products. There is no "cheap labor" in Europe. Skilled labor we could provide.

Agriculture was never one of the priorities of any government in Portugal—modern agriculture. In the 19th century, we imported raw materials and foodstuffs. Now, during the EEC negotiations, Portugal was sometimes treated as if it were the same as Spain or Greece, whereas it is exactly the contrary, since we do not export agricultural goods. We import a lot of food products.

Now, talking of new sectors—projects, construction, mechanical engineering—this is what we could do, whereas these areas went down during the last 10 years. Then fisheries and the sea in general. We have paid little attention to this in the last years.

Greece after Papandreou coup: Soviet satrapy or civil war?

by Phocion

The last semblance of government by law crumbled in Greece last March 30, felled by the legicide hand of that nation's prime minister, the magniloquent Andreas Papandreou, when a pathetic, frightened man, one Christos Sartzetakis, was forced almost at bayonet point to take the oath of office and become the President of a republic which hardly knows him, replacing the venerable if often errant Constantine Caramanlis in the palace at Herod Atticus street.

That swearing-in ceremony marked the conclusion of an unfolding legal coup d'état by Papandreou which began on March 9, 1985, a few days after his three-day-long visit to Moscow. That legal coup d'état began with a memorable speech by the Socialist prime minister to the central committee of his party, the PASOK, in which he announced his intention to revise the Constitution of the country without going through the constitutionally prescribed route of first holding general elections to elect a Constituent Assembly, the only body according to law invested with powers to revise the constitution. Target of Mr. Papandreou's intended constitutional revision is to either curtail or eliminate the powers of the office of the President, hitherto the regulator and guarantor of the state.

At the same time, Prime Minister Papandreou announced that he would oppose the re-election of then-President Constantine Caramanlis, also the principal author and inspirer of the constitution. He then put forward a virtual unknown and political non-entity, Christos Sartzetakis, as his candidate for the presidency. The following morning, March 10, President

Caramanlis resigned in order "not to be a party in what is about to be perpetrated."

In the three weeks which followed, three successive ballotings in parliament eventually produced a vote which, Papandreou claims, elected Christos Sartzetakis President of the Republic for the next five years. Legal opinion among constitutional jurists is virtually unanimous that these elections for Sartzetakis are invalid. Neither the constitutionally mandated secrecy of the ballots was observed, nor the constitutionally required number of votes were cast for the candidate. Sartzetakis, himself a jurist, had also expressed the opinion that his own election was illegal but, according to reports, he was coerced by Papandreou into agreeing to take the oath of office.

The opposition party, New Democracy, refused to participate in the illegally conducted balloting in parliament and has announced that it does not recognize Sartzetakis as President.

The chill of civil war

Contrary to what anyone at the Department of State will admit, the principal purpose of Papandreou's legal coup d'état is to realign Greece on the side of the Soviet Union within this year. This realignment will take the form of a formal termination of Greece's membership in NATO, an expulsion of the American military bases from Greece, and a form of association either with the Comecon or, *in extremis*, with the Warsaw Pact.

In no other area of policy except this had there been any profound disagreements between Papandreou and Caramanlis to prompt the former to launch his current campaign against both the presidency and the constitution.

The crowds outside the parliament building at the time in which the legal coup d'état was being consummated with the swearing in of Sartzetakis, were a frightening sight from the past: Old-timer Communist Party toughies, Papandreou's parliamentary allies, were brandishing red flags and celebrating "The Change," which, in their terminology, denotes "The Revenge," in reference to their 1949 defeat in the last civil war. Thousand-drachma bills were being distributed to these demonstrators from thick wads in the hands of functionaries from the prime minister's office. The crowd of veteran Communist civil-war combatants were reminiscent of a similar crowd which had gathered almost exactly one year ago to the day at the nearby all-white-marble Panathenian Stadium.

In that gathering of one year ago, the Communists were the invited guests at the first party congress of Mr. Papandreou's PASOK. Two interesting individuals were Papandreou's guests of honor: alternate member of the Soviet Politburo Vladimir Dolgikh, and Greek Communist Party guerrilla commander "General" Markos Vafeiadis, recently returned to Greece from almost 30 years of voluntary exile in the Soviet bloc. Papandreou's keynote speech primarily addressed these two individuals.

That speech at the time became a sensation in the international press: In it, the Greek prime minister, a presumed NATO ally, characterized the United States as the primary imperialist menace in the world today and fell short of calling it the principal enemy of Greece. The crowds gathered at the stadium became frantic with enthusiasm. The one man who received the crowd's constant attention and repeated standing ovations was Gen. Markos Vafeiadis who, during the 1945-49 civil war, had led the combined Bulgarian and Greek Communist bands in an orgy of bloodletting against the Greek population and the state.

Vafeiadis, after his military defeat, had withdrawn to Tashkent, U.S.S.R., where for many years he operated as a Soviet security officer and received extensive further military training. He returned to Greece in the late 1970s, among thousands of other KGB and GRU-trained Communist ex-guerrillas, all beneficiaries of Constantine Caramanlis's democratic constitution and ensuing amnesty.

Vafeiadis and his crew of murderers stand, today, as the military defenders of Andreas Papandreou's March 29, 1985 legal coup d'état against the constitution.

Preparing for the confrontation

From the first day of his legal coup d'état, Andreas Papandreou has been conducting a systematic purge of the top ranks of the armed forces. Over 50 general rank officers and

over 150 colonels have been replaced in the army. All general rank officers in the law-enforcement agencies have been purged. Further activities by Papandreou and his close associates in the government indicate that the prime minister does not intend to submit to any popular verdict in the coming October general election which might be against him. According to our information, his legal coup d'état is to be complemented by full-scale martial law if necessary. Whether this will succeed or not is a different matter.

Papandreou so far has relied on a very narrow circle of individuals who helped him carry out his legal coup. This circle is primarily composed of Interior Minister Menios Koutscheras, an intimate of Mrs. Margaret Papandreou of over 20 years, the American Mrs. Margaret Papandreou née Chadd, and the inner "Marxist troika" of PASOK: Tsochatzopoulos, Gennimatas, and Laliotis.

The rank-and-file parliamentary deputies of PASOK were, on the whole, blackmailed, intimidated, and railroaded into going along with Papandreou's coup. Their electoral base, mostly made up of traditional middle-of-the-road liberal *pater familias*, were left in a state of shock in the aftermath of the coup. A wave of cold fear has swept the mass of voters who once gave Papandreou his electoral victory in 1981, as they saw their once champion of democratic institutions ruthlessly trample under the constitution, parliamentary order, and elementary political decorum, all for the sake of a political alliance with the Communists of Markos Vafeiadis.

The opposition New Democracy party has made dramatic gains among these former Papandreou voters, but Papandreou seems unperturbed by this development. In fact, he appears to have pre-discounted such losses before embarking on this adventure. It appears that Papandreou is convinced that this fight shall not be resolved at the ballot boxes, but rather at the level of raw power.

The instruments on which he shall depend most are the following: 1) the hard core of Markos Vafeiadis' Soviet-trained ex-guerrillas, already tightly organized and well pre-deployed—all they shall need is arms from local weapons depots; 2) the cells of PASOK's local party organizations, which are already terrorizing the population, especially in the countryside; 3) certain select, isolated army and navy units which have been culled out of the main body of the armed forces for their loyalty to Papandreou; and 4) the thoroughly corrupted air force.

Papandreou knows that the bulk of the Army and the Navy are traditional loyalists and thoroughly anti-Communist. His immediate objective will be to neutralize them, rather than either win them over or challenge them head on. Similarly with the rank-and-file of the police and gendarmerie. As his principal instrument for neutralizing these forces, Papandreou is counting on the traditional inertia of bureaucratic organizations, which tend to follow orders from above, especially when those orders instruct them to *not* act rather



than act on any given matter.

The armed forces would be capable of moving against Papandreu and of restoring constitutional order if they were induced to do so by the following institutional powers: the old leadership of the Army now in retirement; the exiled King Constantine; and ex-President Constantine Caramanlis. Each of these three has, in recent years, maintained a distinct political identity, often at odds with the other two. Should these three forces agree to unite around a perspective of national salvation, the Papandreu anomaly could quickly be rectified and Greece be returned to lawful government, normalcy, and the West.

So far, Caramanlis, King Constantine, and the old army leadership have remained silent. A significant portion of officers on active duty, stunned by Papandreu's tearing up of the constitution, no longer think of themselves as owing any loyalty to either the prime minister or to his illegally chosen President. What considerations might induce Caramanlis or King Constantine or the retired old army leadership to move and issue to the active service army the kind of marching orders which might stop Papandreu's course?

The greater game at the State Department

Whatever Papandreu and his close circle of collaborators may think they are doing, they are simply pawns in an effort by Moscow to overturn the old 1945 Yalta Conference

arrangements and redraw the map of Europe on the 40th anniversary of Yalta. In the greater scheme of conferences such as Yalta's which periodically redraw the political map of the world, the Greek state has played a signal role since the 1815 Congress of Vienna.

With respect to Yalta, in particular, Greece was selected by Moscow to be a test case. Right after the Stalin-Churchill-Roosevelt agreements on their respective "spheres of influence," Stalin decided to launch a Communist insurrection in Greece in order to test how far his partners were willing to go to defend the prerogatives accorded to them at the conference table. Five years and a few hundreds of thousands dead and maimed later, the United States with its "Truman Doctrine" demonstrated that it was fully committed to preserve Greece's independent status outside of the Russian Empire.

Papandreu's current legal coup d'etat, as orchestrated behind the scenes by Soviet Ambassador Igor Andropov, is meant to probe whether or not the United States retains that old commitment of the immediate postwar period. Matters have now become more complicated because the unspoken State Department consensus under George Shultz is that the United States should retrench and should abandon that region of the world to Russian imperial suzerainty.

This matter goes back to an August 1982 meeting between George Shultz, then just nominated to be secretary of state, and Henry A. Kissinger in the Redwood Forest in

California. There, Kissinger and Shultz discussed the need to have the American "sphere of influence" worldwide reduced to "approximately 25% of its postwar extent." The matter has been extensively reported in the past. Under the rubric of Lord Carrington's "New Yalta Deal," it has been slipped through as the actual if unspoken foreign policy of the U.S. State Department, contrary to what President Reagan believes his foreign policy to be.

The State Department will of course vehemently deny that its intended policy objective is to shrink the American sphere of influence to just 25% of what it once was. Lord Carrington will formally deny the concealed intent of his "New Yalta" deal, too. Even Papandreou will deny that his current operating objective is to enter the embrace of the Soviet bloc. The known facts speak otherwise.

The rationalizations at the State Department for abandoning Greece to Moscow's new test of the validity of old Yalta are similar to the ones the Carter administration was concocting to justify the sacrifice of the nation of Iran to Brzezinski's "Arc of Crisis" theory. Lord Carrington and his collaborators in this, German Foreign Minister Hans-Dietrich Genscher and Italian Foreign Minister Giulio Andreotti, who jointly pull the strings over Papandreou and his Foreign Minister John Charalambopoulos and Deputy Foreign Minister Carolos Papoulias, belong to a group of demented Western European political leaders who are obsessively committed to the idea that they have entered into a "gentlemen's agreement" with the dynastic successors of Andropov, whereby a London-led Western Europe will establish a condominium with the Russian Empire at the expense of the last remnants of American power.

Since the autumn of 1983, Lord Carrington personally played a central role in preparing and guiding Andreas Papandreou in his slide toward Moscow. In fact, since Lord Carrington assumed the office of the general secretary of NATO last spring, as though by coincidence, an ancient network of Levantine families throughout the Eastern Mediterranean went to work to bring about a transfer of imperial suzerainty over that part of the world to the resurgent Russia. These families, inclusive of the Papandreou family, tend to have their geographic origins more or less coincident with the 12th- to 16th-century domains associated with the old Republic of Venice. They are active on the Adriatic coasts of both Italy and Yugoslavia, Greece's Ionian islands, Crete, Cyprus, Rhodes, Syria, Lebanon, Israel, the Alexandria-centered political factions of Egypt, and elsewhere. Swiss banking and Venetian cultural affinities are the connecting glue of this tribe.

As they have in past centuries arranged the transfer of imperial suzerainty of the Eastern Mediterranean from Alexandria to Rome, from Rome to Constantinople, from the Byzantine Empire to the Ottoman Empire, from the Ottomans to the British Empire via the Congress of Berlin, so

now they are orchestrating the transfer from the "American sphere of influence" to the expanding Russian Empire. Personalities such as Carrington or Shultz are the merely symbolic presiding figures over the operation. The molecular work on the ground is carried out by the old Levantine families. The Russian imperial administration in Moscow has simply placed as proconsul in Athens the efficient Igor Andropov to enhance and orchestrate the process.

No doubt, the Russians' intentions are different from those of Carrington, Kissinger, Shultz, and others of their Western co-players.

Our best estimate of Russian intentions as betrayed through available information is more or less as follows:

A Greek civil war or, better, incorporation into the East bloc, will inaugurate a period of drastic map redrawing in the Balkans. Yugoslavia is to be broken up to make room for the creation of a Macedonian state under Bulgarian protection; Bulgaria is to be expanded to include parts of Greece's present North Aegean coast and present day Turkish Eastern Thrace; Turkey will be allowed to compensate for the loss of the European bank of the Dardanelle strait by grabbing the Dodecanese from Greece, consolidating its hold over Cyprus and entertaining territorial claims over Iraq's Kirkuk and Mosul areas; Syria in turn will be encouraged to lay claims over Turkey's Iskenderun naval base, and so forth.

Russian control over the Balkans will be consolidated with a massive Danube-to-Aegean canal system which is planned to provide continuous navigation between Odessa and Thessalonika, bypassing the Bosphorus and Dardanelle straits; the Middle Eastern game of perennial tribal and sacerdotal warfare will continue to be played on the basis of rules set in Moscow. The entirety of the old North African, Near Eastern, and Balkan domain of the Ottoman Empire is to be turned into a string of Russian-controlled vilayets.

Continental Western Europe's southern underbelly will be a project complementing the drive to establish Russian hegemony over the West.

These projected results are at present disputed by Carrington, Shultz, Kissinger, and others who privately advocate a shrinkage of U.S. influence by means of an "orderly" deal with Moscow. So long as these gentlemen, and the State Department bureaucracy with them, cling to the delusion that such a deal with Moscow is possible, American foreign policy toward Greece will be hopelessly confused, divided, and contradictory.

If Greece's nationalist forces, institutionally represented by Caramanlis, King Constantine, and the old army leadership wait for a "clear signal from Washington" before they break their silence vis-à-vis Papandreou's legal coup d'état, they shall wait for a very long time. They shall either make decisions on their own, fight on their own, and reverse the course of events by their own labors and sacrifices, or they and their nation shall perish.

Western Hemisphere war on drugs has started to get serious

by Valerie Rush

A recent new series of Western Hemisphere anti-drug initiatives suggests that a "get serious" approach to the continent's oft-declared war on drugs has finally begun to prevail, both in Washington and in the capitals of Ibero-America. The initiatives come on the heels of the March 13 presentation in Mexico City of Lyndon LaRouche's strategic war plan for defeating the drug trade and, in certain key aspects, echo a number of the proposals that LaRouche has elaborated.

The latest-breaking development proceeds from Colombian President Betancur's early April trip to Washington, D.C., where an anti-drug pact between the U.S. and Colombian governments was announced which promises to dramatically augment that South American country's anti-drug efforts.

Colombian Justice Minister Enrique Parejo González, accompanying Betancur on his U.S. trip, announced to the press April 3 that the plan, to be substantially financed by the Reagan administration, involved 1) use of effective new herbicides to eradicate all of Colombia's marijuana fields over the next three years, 2) the dynamite bombing of all clandestine airstrips in Colombia, and 3) no changes in the U.S.-Colombian Extradition Treaty.

LaRouche's anti-drug war plan, which describes the international drug trade as "an evil and powerful empire in its own right, a financial, political and military power greater than that of entire nations, . . . a government upon which we must declare war," urges among other actions the use of "military airborne assaults" to crush the cultivation, processing, and trafficking facilities of the drug mafia. LaRouche also demands that "the mandate given to law-enforcement forces deployed in support of this war, must be the principle that collaboration with the drug-traffic or with the financier or political forces of the international drug traffickers, is treason in time of war."

Crackdown already underway

The first two commitments of the U.S.-Colombian anti-drug pact are, in fact, already being implemented by the

Betancur government. The herbicide glyphosate has been employed against marijuana cultivation along, especially, Colombia's Atlantic coastal region since last year, while the bombing of illegal runways used by traffickers was made official policy at a Colombian national security council meeting in late March. Additionally, a law proposing confiscation of all private assets linked to the cultivation, processing, financing, and trafficking of illicit drugs is presently under consideration by the Colombian Congress.

The third point of the pact, confirmation of the standing extradition treaty between the two countries, is of special importance since the treaty has been a target of violent attack by mafia apologists and their narco-guerrilla "fellow travelers" ever since its implementation by the Betancur government following the April 30, 1984 assassination of Parejo's predecessor, Rodrigo Lara Bonilla. Recently, there has been a renewed drive by tainted political forces to dilute the treaty legislatively. That drive, for the moment at least, has been stopped cold.

Parejo's announcement of the pact was accompanied by an unequivocal demand that the United States fulfill its part of the deal with more than mere financial aid. "Colombia expects the United States to take on the commitment of strengthening the war on drugs, to bring about a real decrease in demand and distribution in its own territory, because it will serve no purpose for us to continue a war against drug trafficking if the demand continues to increase."

Betancur reiterated in his speech at Georgetown University the same day, "We are ready to pay any price, even our lives, to free humanity from this plague. . . . We do not want to feel alone in this battle."

Lusinchi delivers anti-drug shock

Inside Venezuela, the Lusinchi government has delivered a few knock-out blows to the "citizens above suspicion" behind the drug mafia which has been tightening its stranglehold over that country.

During the last week in March, President Lusinchi per-

sonally intervened to free prominent lawyer and journalist Bayardo Ramírez Monagas from jail, where he had been thrown by a judge he had publicly criticized for excessive "tolerance" toward the drug mafia. Further, the Venezuelan President named Ramírez as the new head of a specially created presidential commission against drugs, Conacuid. At the swearing-in ceremony for the new anti-drug commission head, Lusinchi declared:

"I don't think one needs to be especially shrewd to understand exactly the message that naming Dr. Bayardo Ramírez Monagas carries. . . . This designation is a message that both carries a protest and also our commitment to strengthening the war against drugs in our country. This designation is fully supported and carries tremendous meaning. *Will it deal a blow? Yes, it will, and it would please me for this to happen, and for certain quarters to get this message with perfect clarity. That was how it was conceived* [emphasis added]."

President Lusinchi's words were not only directed at the corrupt judges, lawyers, police, etc. who serve as the mafia support apparatus in Venezuela, but also were aimed at the pin-striped bankers, financiers, and business giants, like the Cisneros family which has brazenly manipulated Venezuela's judicial and legislative branches to cover up its own suspect activities.

While addressing the growing level of mafia corruption inside Venezuela, Lusinchi also did not spare the United States, which has not adequately attended to the drug problem within its own territory. "What country can view itself as a great power," asked the Venezuelan President, "with the most sophisticated weapons and ample resources, when its foundations are being shattered because its youth have been taken over by drugs?" Lusinchi met with his Colombian counterpart just days before Betancur's arrival in Washington, D.C. and consulted on, among other subjects, how to escalate the continent's anti-drug efforts.

Perhaps most encouraging was the published statement of Venezuelan Congresswoman Paulina Gamuz in the *Diario de Caracas* of March 29, in which she urged that the continental drug problem be viewed as a crisis situation of proportions equivalent to threatened nuclear holocaust. Gamuz is an executive member of Venezuela's ruling Acción Democrática party and an active participant in shaping her country's anti-drug efforts.

Said Gamuz, "Perhaps we should admit that we are in an emergency situation comparable to that in time of war and should come up with appropriate emergency legislation and procedures to face up to the problem." (See accompanying excerpts.)

LaRouche's strategic anti-drug proposal was explicit on precisely this point: "Law-enforcement methods, by themselves, will fail; even joint law-enforcement efforts by the nations bordering the Caribbean would fail. The nations of

Central and South America will each and all either fall under bloody, Nazi-like dictatorships, or will be destroyed through more or less perpetual civil war, unless the international drug-traffic's invasion of this Hemisphere is crushed by the methods and weapons of war."

The following are excerpts from "The True War" by Paulina Gamuz, published in Diario de Caracas of March 29, 1985.

When barely a year ago a debate on drugs and their consequences was held in the Chamber of Deputies, a committee was named to draft a law against the illicit use of psychotropic substances. We said that while the world lived in fear of . . . the possibility of eventual destruction of the human species by the effects of nuclear war, another more subtle but equally destructive kind of war was shaping up. We were and are dealing with the war of drugs and today more than ever we have reasons for reaffirming what we said then.

We have increasingly dramatic proof of how the drug and arms trade are closely linked, how the money from that trade is sufficiently good and clean to finance any revolution or armed movement. A drug trafficker sought by Venezuelan justice and currently a prisoner in Miami, like Lizardo Márquez Pérez, changes his vulgar and shameful garb as one who fosters human misery for that of a heroic ideologue, justifying the war of drugs as the only way in which impoverished peoples can deal with the sophisticated wars and infinite resources of the wealthy countries. . . .

The recently approved [Venezuelan] anti-drug law will not suffice, because despite its innovative approach it lacks the audacity to view crimes related to the drug trade and their coverup as genuine acts of treason and crimes against state and society. This must be the way to characterize the judges and other officials, who despite the law, happily apply leniency when it is inconvenient for drug traffickers to be punished. . . .

Perhaps we must go further still and . . . come up with special tribunals, special methods for dealing with the drug problem. Perhaps we should admit that we are in an emergency situation comparable to that in time of war and should come up with appropriate emergency legislation and procedures to face up to the problem.

To achieve this we must be convinced first of all that the problem cannot be reduced to a drama involving part of a sick population . . . but goes much further, to the deliberate intention of large drug consortiums to seize political, military, social, and economic terrain and to supplant the state with sub-states ruling through human degradation.

To work in this way is the priority task of congressmen, rulers, journalists, and all citizens concerned with the problem. This constructive proposal should be welcomed by the judges who today have shut out this reality because of a poorly understood sense of solidarity.

Cutting Genscher down to size

The anti-SDI faction around the foreign minister has suffered a severe setback, not to say major political defeat.

The embittered factional warfare here over the U.S. Strategic Defense Initiative (SDI) came to a peak after the U.S. delegation led by Robert Dean and SDI chief Lt.-Gen. James Abrahamson left Bonn on March 28. On that same day, numerous German parliamentarians and defense experts left Bonn, too, to attend the Atlantic Bridge meeting in Dallas, Texas.

Although the cabinet agreed on a formula of "no decision on participation in the SDI for the foreseeable future"—a compromise with the strong group of SDI adversaries around Foreign Minister Hans-Dietrich Genscher—in the wake of Caspar Weinberger's 60-day deadline on the question, this can't hold up for very long. As numerous newspaper editorials noted: "The time has passed beyond a situation which would allow any further indifference on the SDI—it has to be 'yes' or 'no' now."

The Dallas meeting was certain to bring some of the basic differences to the fore—and it did!

German Defense Minister Manfred Wörner took a cautious but clearly positive position on the SDI and re-emphasized the "basic German commitment to participate in the program—provided this means participation not only in the technologies, but also in the political and strategic aspects the program has." The opposition Social Democrats present in Dallas, as expected, fumed about a "costly arms race in space," and alleged that the SDI would destroy the system of deterrence and, at the same time,

wouldn't work. Social Democrat Horst Ehmke called the SDI an "aggravation for the NATO Alliance."

Then came the big surprise: Richard Burt of the U.S. State Department responded to this barrage of anti-SDI propaganda with the weird statement: "I consider this debate a healthy exercise, but not a sign of disloyalty." This tells something about the support the German Social Democrats have inside the U.S. State Department.

But Richard Burt must also take note of the fact that the situation has changed. Obstructionism will not go over so easily any more. Look at what happened to Jürgen Möllemann, assistant secretary to Genscher, who had been sent to Dallas to monitor Wörner and, as it turned out, intervene against him. Known as "Genscher's sniper," Möllemann wrote a "clarification statement" after Wörner's remarks, characterizing them as a "deviation from the official position of the Bonn government." "The decision is still open whether Germany will participate in the SDI," he wrote.

This statement was distributed among the press in both Dallas and in Bonn. It was like throwing down a gauntlet to Chancellor Kohl himself, who supports the SDI, but has compromised in public under his foreign minister's pressure.

Would Kohl swallow the Möllemann statement and risk an open government crisis with Genscher's Free Democrats? Kohl's Christian Democrats decided not to swallow it: Several parliamentarians back home in

Bonn called for the immediate dismissal of Möllemann, but Franz-Josef Strauss, the chairman of the influential Bavarian section of the Christian Democrats, went directly to the point, "Everybody knows that what Möllemann said was just what his superior Genscher thinks anyway. He is against supporting the SDI." Government spokesman Peter Böhnisch got on the phone to Möllemann, who had left Dallas for a "vacation" in Spain, and demanded a clarification on the clarification.

Leading German newspapers fired salvos directly at Genscher. The leading conservative daily *Die Welt* dedicated two half-page feature articles on April 2 and 3 to portraying the foreign minister as a liability to the government and to Chancellor Kohl's reputation in the U.S.A. More and more people in Washington, D.C., wrote *Die Welt*, are getting angry over Genscher and asking themselves how long the Chancellor will go on swallowing his escapades. Chancellor Kohl, said *Die Welt*, must cut him down to size now.

On the afternoon of April 2, Genscher cancelled a press conference in Geneva, where he had given a speech to the Arms Control Panel of the United Nations. Sources said he wanted to avoid questions about Möllemann—i.e., about himself.

On the evening of April 2, Genscher went on German national television to announce that he would "have some words with Möllemann." That was like throwing in the towel. For someone who had just publicly challenged the Chancellor on a vital question, the sudden "damage control" posture is a major setback. With Kohl facing the choice he does—the SDI and good relations with Reagan, or no SDI and good relations with Genscher—the foreign minister is not a good bet.

Behind the 'unified terror command'

New terrorist groups are springing up almost daily, but investigations reveal the same old faces. Who benefits?

Libya's Col. Muammar Qaddafi announced on March 31 the creation of a new "National Command of the Arab Revolutionary Forces," a unified military command aimed at striking Western—and especially American—interests worldwide through "suicide commandos." Qaddafi was addressing an audience of potential kamikazes from among the opposition movements of Egypt, Iraq, Sudan, plus a few Palestinians and Europeans from Germany, France, Belgium, Italy, and Poland.

"Only the suicide action of the masses," Qaddafi declared, "can liberate Arab lands." He went on to praise the terrorists who have attacked American and Israeli forces in Lebanon.

The last two months have seen a proliferation of terrorist groups in the Middle East and Mediterranean, aimed at building a smokescreen between the terrorists themselves and the real brains behind them. Recent suicide squad operations against Israeli forces in southern Lebanon were claimed not only by the infamous Islamic Jihad group, but also by an Islamic Liberation Front, a South Lebanon National Liberation Front, and the nazi Popular Syrian Party or Syrian National Socialist Party. Credit for the kidnaping of Western diplomats was claimed by the Islamic Jihad as well as by the Lebanese Armed Revolutionary Faction, the hitherto unknown Khaybar Brigades, and the Revolutionary Organization of Socialist Muslims.

Bomb attacks against the Jordanian airlines offices in Nicosia, Rome,

and Athens were claimed by the Black September terrorists. The bombing of a Jewish cinema in Paris on March 29, which wounded 20, was claimed by Islamic Jihad and assorted neo-nazi groups. On March 25, the creation of yet another Palestinian group was announced, the Palestinian National Salvation Front, representing a merger of the Democratic Alliance and the National Alliance.

Linking these multifarious groups is their common godfather, President Hafez al Assad of Syria, and their opposition to PLO chief Yasser Arafat.

Ultimately these terrorist groups can be grouped into two basic factions: Shi'ite Moslem fundamentalists and Eastern Orthodox Christians. The latter grouping includes former members of the Syrian and Lebanese Communist Parties, who joined either George Habash's Popular Front for the Liberation of Palestine (PFLP) or the Organization of Communist Struggle (OCAL); their precise geographical origins are known. The same individuals are found in Black September, a new name for the resurrected organization of the notorious Abu Nidal.

A Politburo member of the Al Amal Shi'ite militia of Nabil Berri revealed in London at the end of March—whether voluntarily or not is not known—that all these groups operate under a joint "military command," which, under the leadership of Al Amal, includes the Hezbollahi of Sheikh Mohammed Hussein Fadlallah (to which the Kaybar Brigades belong), the Islamic Amal of Hussein

Moussavi, the Druze of Walid Jumblatt, warring Sunni militias such as the Mourabitoun drug-smugglers, the Syrian Popular Party, and the Palestinian dissidents of Abu Musa. The job of the joint command is to decide the division of labor among the groups, to deploy them for military attacks against Israel and for terrorist operations.

But the military independence of the "command" is a joke: The Syrian army and Syrian military intelligence calls the shots. Even the direct relationship between Hezbollahi boss Sheikh Fadlallah and Ayatollah Khomeini can be no more than a logistical connection, if Damascus chooses to veto any action.

Teheran and Damascus operate, however, through mutual interdependence—financially and militarily. Thanks to Iran's involvement in international terrorism, Syria can blackmail the Gulf countries into more and more financial support, under the pretext of mediating with Khomeini.

Investigations recently published in the French newspapers *Le Monde* and *Liberation*, trying to disentangle the threads of the diverse terrorist groups now operating, exposed the precise connections between each of these entities and Syrian intelligence services, even proving that the so-called Shi'ite fundamentalist organization Islamic Jihad and the Lebanese Armed Revolutionary Faction, a left-wing Eastern Orthodox organization, are in fact one and the same. Different names account for different operations in Europe or the Middle East, but all came from the intelligence branch of the Syrian National Socialist Party, a veteran suicide commando organization modeled upon Adolf Hitler's Nazi Party, and whose ideological influence over Syria needs no proof. Assad's wife is the chairman of the party for Syria!

International Intelligence

Presidents pledge joint war against drugs

U.S. President Ronald Reagan and Colombian President Belisario Betancur issued a joint statement April 4, after two days of talks in Washington, D.C., pledging an "irreversible" dedication to win the war against drugs. "Drug trafficking is a criminal activity that has no frontiers and can only be controlled by a combined effort of all countries involved," the Presidents declared, underlining the "terrible effect drug abuse has on the health and well-being of the individual users, as well as more generally on the economies and public morality of both societies."

The joint statement hits the banking structure which takes in hundreds of billions of dollars a year through laundering drug money, emphasizing that "the financial power resulting from the enormous profits of illicit narcotics trade poses a terrible threat to democracy."

The Presidents' communiqué was blacked out in the U. S. press.

Split in Spanish CP will activate insurgency

The Spanish Communist Party (PCE) split into two factions at the end of March, a "retooling" which will pave the way for increased radical-Jacobin activation of the labor movement.

The "traditional Euro-communist" PCE, in the process of expelling long-time party leader Santiago Carrillo, will now move to incite mass-based anti-NATO sentiment, and assimilate a number of movements to the left of the Socialist Party—including ecologists, pacifists, Trotskyists, and regionalist groupings. The strongmen of this faction is Nicolas Sartorius de las Asturias y Alvarez de Bohorquez, secretary general of the Politburo, a nobleman whose brother is ambassador to Finland, and Julio Anguita ("the Red Caliph"), mayor of Cordoba and recipient of millions of dollars of Arab funds.

In the other faction, Cominternist Carrillo will likely join the pro-Soviet, pro-separatist Partido Comunista de los Pueblos de Espana (PCPE), created in 1984 by Ignacio Gallego, who already controls the powerful Andalusian branch of the Communist Trade Union, CCOO.

A reactivation of the anarchist trade union, Confederacion Nacional de Trabajadores, can also be expected.

Italy charts its participation in SDI

A conference on beam-weapon defense organized by the Schiller Institute and the Fusion Energy Foundation (FEF) in Rome on March 29 was attended by 100 people, with particularly strong representation from the Italian military-industrial complex.

The general staffs of the army, navy, and air force were represented by high officials, and researchers also attended from the defense ministry, which has formed a new defense commission to study the areas in which Italy can contribute to the Strategic Defense Initiative (SDI). Also well-represented were companies which produce lasers, tracking systems, radar, ships, airplanes, and precision materials for NASA, as well as researchers in these fields.

Also present were diplomats from various African and Asian countries, journalists, and candidates of the European Labor Party in Italy (POE).

The conference was opened by a message of greeting from the Christian Democratic group in the Italian Senate, read by Gen. (ret.) Giulio Macri. POE chairman Fiorella Operto spoke on the strategic importance of economic policy, showing a videotaped program by Lyndon LaRouche on the Russian strategic threat. Jonathan Tenenbaum, the chairman of the FEF in West Germany, and *EIR's* European Executive Director Michael Liebig outlined a proposal for a European air defense. Prof. Forrest Tierson of the U.S. Space Foundation in Colorado conveyed the message that President Reagan's offer of technology transfer to the Europeans is "a real offer," which

Europe should accept quickly. Italian FEF director Giuseppe Filippini discussed the role Italy can play in European-American cooperation, emphasizing that "the first cooperation should be against the IMF's austerity policy."

Italian secret services in anti-terror crackdown

Italian Prime Minister Bettino Craxi announced early in April that the secret services will be increasingly involved in the fight against terrorism and organized crime, because of the connections "between international groups and the mafia in drugs and weapons smuggling." He emphasized that all terrorist actions have been "clearly anti-NATO and anti-Western."

Behind this crackdown against terrorism, a bitter fight is raging between the Italian Communist Party (PCI) and the government, with the Socialist Party newspaper *Avanti* charging on April 5 that the communists are trying to topple the government and assume the reins of power directly for the first time.

PCI security expert Senator Peccioli has accused Craxi and Interior Minister Oscar Luigi Scalfaro of using terrorism as an excuse to prevent the PCI from taking power. He insists that terrorism is a purely domestic affair, and that there is no Soviet involvement in it. Peccioli in turn was denounced by the editor of *Avanti*, who wrote that "in the second half of the '70s, when terrorism was unleashed and the secret services were largely polluted, Senator Peccioli, who contributed to appointing these people, was defending them and certainly not criticizing them."

Cabinet votes to make France ungovernable

The French cabinet announced on April 3 that the present majority polling system which was set up by President Charles de

Briefly

Gaulle in 1958 will be changed into a proportional polling system for the next 1986 legislative elections.

This will make France ungovernable, because it will be impossible for President François Mitterrand—or anyone else—to achieve a political majority in the National Assembly. Mitterrand is already being referred to by pollsters as “Mr. 20%,” and a proportional polling system would reduce his party’s seats in parliament substantially. The new system means that the President of the Republic will have to build a majority from the various political formations.

Commenting on the plan, *Liberation* columnist Serge July, considered to be a spokesman for Mitterrand, wrote on April 4 that this will make it possible for the Socialist Party to affirm its “Social Democratic identity,” as the Social Democratic Party has done in West Germany. The new polling system will free the Socialist Party from the Communists, he claimed, who will play a more “strategic” role.

Syria plans second front in Gulf war

The four-year war between Iran and Iraq is expected to spread to most of the Persian Gulf and Mideast region by late spring at the latest, informed intelligence sources in the Mideast and Europe report. Backed by Soviet and Bulgarian technical advisers, Syria is reportedly planning to open a second front against Iraq. This would involve cutting off the Euphrates River, a move which would coincide with a renewed Iranian military offensive.

Under the cover of large-scale agricultural development, Damascus intends to build an irrigation canal between Aleppo and Lake Assad, at the level where the Belikh River flows into the Euphrates. This would close down the most important dam on the river a few kilometers below, threatening the city of Baghdad with a severe water shortage.

A similar maneuver in 1975 brought Baghdad and Damascus close to war.

Numayri overthrown in Sudan coup

Sudanese President Gaafar Numayri was overthrown in a bloodless coup April 6 as he arrived in Cairo, Egypt from a visit to the United States. General Siwar ad Dahab, the previous defense minister, became the new head of Sudan’s military government. He announced that the constitution was suspended, martial law imposed, Numayri and his ministers relieved of all duties, and that Vice-President and Chief of Intelligence Omar Tayeb was under arrest.

Sources report that General ad Dahab may have been forced to make his coup in order to prevent takeover by more radical forces. He is a professional soldier and is seen as having no personal ambition. He announced that he would cede power after six months.

Sudan has been the scene of riots protesting the government’s attempt to impose International Monetary Fund austerity conditionalities. Price increases demanded by the IMF were canceled just before the coup, after a series of negotiations with trade-union leaders. As news of the coup spread, the unions organized a demonstration of support.

Wörner: Soviet beam research is far advanced

The Soviets have been working on a space-based ABM system since the late 1960s, said West German Defense Minister Manfred Wörner in a television interview April 3. He revealed that, when in Washington recently, he was shown U.S. satellite photos on the Soviet program. “This means,” said Wörner, “that the Soviets have been working consistently on such systems for almost 20 years at least.”

Wörner added that the great majority of the West German population backs the Bonn government’s support for the U.S. Strategic Defense Initiative. “It goes without saying that the SDI will also protect the European part of NATO,” he said.

● **ARIEL SHARON**, Israel’s minister of trade and industry, told the newspaper *Hadashot* April 5 that he would make a bid to become the next prime minister in the 1988 elections. One of the foundations of his campaign, he stated, will be to deny legitimate national status to Jordan, which he referred to as “Transjordan.” Said Sharon: “My political ideas have not changed since I was a child. I don’t think for a minute that Transjordan is not part of Israel.”

● **ERHARD EPPLER**, the top Green guru of the West German Social Democratic Party and a leading official of the Lutheran church, claimed in an Easter message which appeared in the Lutherans’ weekly *Sonntagsblatt* on April 5 that Christians must oppose the U.S. Strategic Defense Initiative, “because God created man to be vulnerable . . . and the SDI aims at invulnerability.”

● **LICIO GELLI**, the leader of Italy’s Propaganda-2 Freemasonic lodge, has been exposed as a Nazi-communist by the Catholic weekly *Famiglia Cristiana*. “In 1945 Gelli was saved from a death sentence by the communist mayor of Pistoia,” the magazine reported in a late-1984 exposé. “A member of the Italian Communist Party until 1955, he owned a bookshop which was investigated as a base for spies from the East bloc.” Later Gelli founded the P-2 lodge, which was involved in many attempted fascist coups d’état. Gelli went to Argentina in 1955 to mediate trade between South America and the Comcon, the article added.

● **A SOVIET-IRANIAN** Economic Commission will be revived soon, as an Iranian foreign ministry delegation led by Sheikh Hussein Islamzadeh arrived in Moscow early in April to discuss closer technical and economic cooperation between Tehran and Moscow. The visit came just a week after the visit to Moscow of Iraqi Foreign Minister Tariq Aziz.

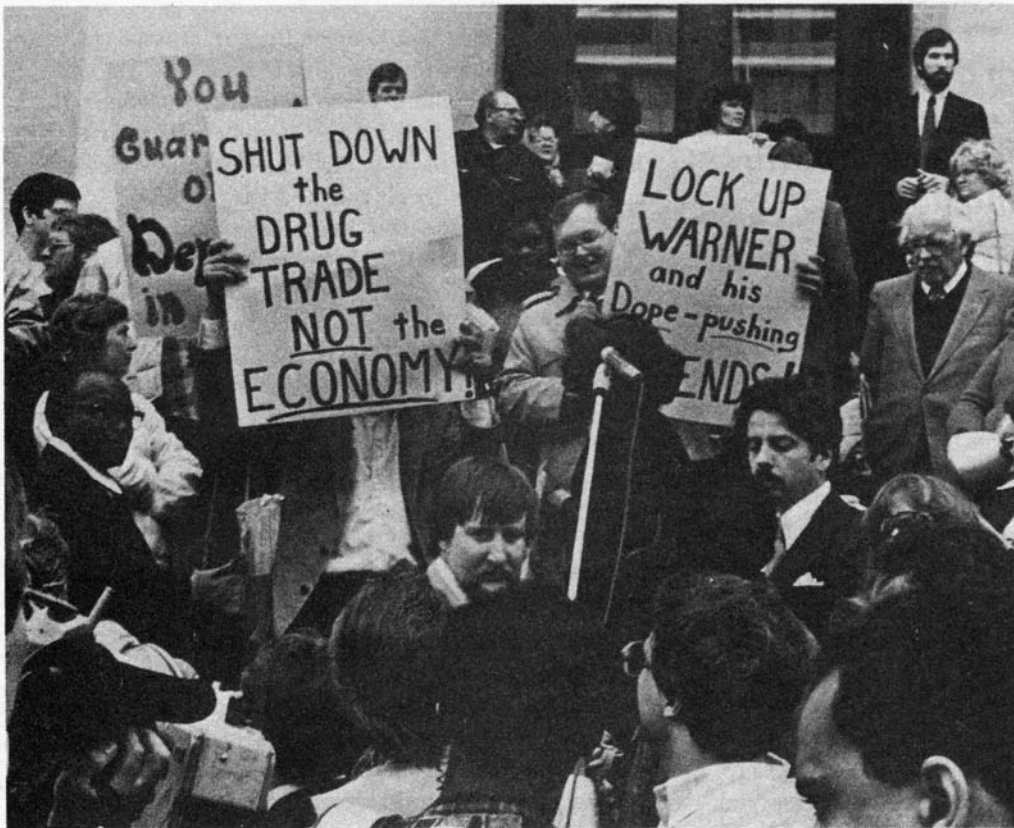
The Aleppo mafia, Syria, and the Temple Mount

When 27 members of a fanatical Jewish underground sect attempted to blow up the Dome of the Rock on Temple Mount in Jerusalem in January 1984, the furthest thing from most of their minds was the possibility that they were acting as agents, albeit unwitting, of a special division of Syrian Intelligence. However, evidence recently provided to this publication by highly qualified Middle Eastern specialists leaves little doubt that the Temple Mount plot—to destroy the second most holy site of Islam, the Dome of the Rock, and rebuild the Temple of Solomon on the site where the Romans destroyed it in 73 A.D.—is the handiwork of a cabal of old Jewish families of Aleppo, Syria, who make up an integral component of Syrian intelligence and organized-crime operations worldwide.

These families, who are the subject of this *EIR Investigation*—Safra, Dwek, Kattan, Kassin, Esses, Shalom—have served for centuries as retainers of the successive empires which have dominated the Eastern Mediterranean: Byzantine, Venetian, Ottoman, and now, the “Greater Syrian.”

A clue to this unholy alliance, which has seen a powerful international Sephardic Jewish syndicate deployed in the service of a Syrian intelligence apparatus blatantly directed by former ranking Nazi officials such as Alois Brunner, was published in the April 1984 edition of *Esquire* magazine, in a feature article entitled, “The Other Israel,” by Leslie Hazelton. Citing the growing anti-Western, pro-Moslem, pro-fundamentalist outlook of the 65% Sephardic majority inside Israel, Hazelton quoted one leading Sephardic organizer:

“The West has to realize that they are not Allah, they are not the Master. Enough imitation of the West! Now, we have to find ourselves, to find an authentic Jewish culture. . . . Judaism is Semitic. We weren’t given the Torah in Eastern Europe, we were given it in Sinai, in the Middle East. . . . We know the Arabs, we respect them, we lived with them, and we understand them. The Westerners don’t want peace. That’s the truth. Because if peace comes, they’ll be wiped out,



NSIPS/Chris Lewis

Behind the savings and loan bank panic in Ohio is a ring of dope financiers whose roots can be traced back to Aleppo, Syria. Shown is a March 1985 demonstration in Columbus, Ohio, against the drug bankers.

they'll disappear, the Middle Eastern influence will come in, and we'll be Levantines. . . . The Westerners took our culture from us and gave us nothing back. . . . You wanted to build me into something else, you, the West. . . . You didn't. You destroyed me."

The irrationalist blood-and-soil hatred reflected in the above quote from Shlomo Bar, an Israeli youth-cult figure, is the product of a well-organized, massively financed effort that has already brought about a "cultural paradigm shift" within Israel reminiscent of the Khomeini revolution. The masterminds of this "Moslemization" of Israel are the Aleppo Jews, working principally through their leading Syrian-Alep-
poan agents-of-influence in Israel: Ariel Sharon, the former defense minister who is now minister of industry and development, and "Dirty" Rafi Eytan, the director of the prime minister's Office of Terror Against Terror.

Strong evidence exists that in the immediate aftermath of the disastrous 1973 Yom Kippur War, a strategic quid pro quo was reached between the Assad family, themselves Al-
lowite Muslims from the Aleppo region of northwestern Syria bordering on Turkey, and the Aleppo Jewish mafia—ensuring that all future regional wars in the Eastern Mediterranean would reflect common objectives of the "Greater Syrian" and "Greater Sephardic" factions. In particular, two "operational" goals were agreed upon: the decimation and carving up of "the Lebanon" and the expansion of the combined Syrian-Israeli mafia as a global factor in the guns-for-drugs

trade, with Israel slated to become the center of a new Levant built on gambling casinos, arms production, and offshore hot-money facilities.

In the early 1970s, this plan was known as the "Meyer Lansky Plan," after the czar of Western organized crime who briefly attempted to buy his way into Israel through a \$250 million casino-development offer. Lansky was booted out of Israel, and the plan was shelved temporarily—pending revision by the Aleppo Sephardic successors to the Lansky throne.

It is in this area of organized-crime activity, in fact, where the Aleppo Jewish mafia's integration into Syrian intelligence efforts worldwide is most evident.

The case of Isaac Kattan-Kassin, now serving a 30-year jail term in the United States for narcotics trafficking, is exemplary.

Aleppo to Miami: the Colombian connection

When the Home State Savings and Loan Association of Cincinnati, Ohio went belly-up in March, triggering the biggest bank panic in the United States since the 1930s, some U.S. law-enforcement officials quietly reopened their files on an Aleppo Jew named Isaac Kattan-Kassin.

For a number of years, spanning the administration of Jimmy Carter through February 1981, Kattan was the leading money-washer (or, in the words of the U.S. Drug Enforcement Administration (DEA), "chancellor of the exchequer") for the 12 largest Colombian cocaine syndicates servicing the

The masterminds of the “Moslemization” of Israel are the Aleppo Jews, working principally through their leading agents-of-influence in Israel: Ariel Sharon, now minister of industry and development, and “Dirty” Rafi Eytan, the director of the prime minister’s Office of Terror Against Terror.

North American market. Over that several-year period, according to federal indictments handed down in the U.S. District Court for the Southern District of Florida following Kattan’s arrest on Feb. 27, 1981, the 46-year-old son of one of the oldest and most powerful Aleppo Jewish clans washed over a billion dollars through the Great American Bank of Dade County, the Bank of Miami, the brokerage firm of Donaldson, Lufkin, & Jenrette, and the Swiss Banking Corp.

Although at the time of his arrest, Kattan was carrying 44 pounds of cocaine, \$300,000 in checks, and a record book of narcotics accounts covering hundreds of millions of dollars in dope transactions, Kattan denied before a federal judge that he had anything to do with drug trafficking. According to *Newsweek* of July 20, 1981, Kattan insisted all his investments were in Israel Bonds!

The court documentation of Kattan’s conviction in May 1981 and the subsequent convictions of the Great American Bank of Dade County and three bank officers, Lionel Paytavi, Carlos Munez, and Elaine Kemp, reveals that Kattan, operating through a “travel agency” in Colombia and a string of phony corporations in Florida and the Caribbean, smuggled both a billion-plus dollars in cash and their equivalent worth in cocaine into the United States.

The first “big fish” caught in the U.S. Drug Enforcement Administration’s “Operation Greenback” assault against Florida’s dope banking—within weeks of the inauguration of Ronald Reagan as President of the United States—Kattan was also one of the principal unnamed co-conspirators in the scandal that came to be known as “Billygate,” involving President Jimmy Carter, his brother Billy Carter, dope-trafficker Robert Vesco, Libyan dictator Muammar Qaddafi, the Charter Oil Company of Jacksonville, Florida, and a cast of thousands.

Kattan’s tie-ins to the Carter White House and the Billygate fiasco were two-fold. First, as early as 1962, Kattan was brought in as a business protégé of Robert Vesco, at the point that the fugitive from U.S. indictments was beginning his takeover move on Investors Overseas Service (IOS) in league

with Wall Street lawyer Kenneth Bialkin, national chairman of the Anti-Defamation League of B’nai B’rith. Through the good offices of Bialkin, Vesco’s initial capitalization of the IOS buy-up was underwritten by Meshulem Riklis, a Turkish Jew who was picked up in the United States by the Minneapolis-Swiss grain cartels and the ADL.

It was wheeler-dealer Vesco who provided the initial channel of contact in 1977 between the Carter White House and the Qaddafi government of Libya, in an effort to release a fleet of C-130 cargo planes which had been purchased by Libya but were being held up by the Congress.

Kattan’s deeper “Carter connection,” however, was through Marvin Warner, the Carter ambassador to Switzerland and the owner of the Great American Bank of Dade County, identified in Operation Greenback as one of Florida’s foremost dope laundromats. Warner’s relations to the Carter inner sanctum were deeply personal. His girlfriend during his tenure in Berne, Susan Clough, was Jimmy Carter’s personal secretary. Last month, it was the collapse of Florida’s ESM, in which Warner was the real controlling factor and had just pulled out his personal funds—but not those of his Ohio savings bank—which led to the nosedive of Warner’s Ohio Home State Savings and Loan and a chain-reaction panic hitting all the state’s S&Ls. Now, two of the original partners in ESM are up for forgery and bank-fraud indictments and possible implication in cocaine trafficking.

When Kattan was originally arrested in February 1981, an impressive lobbying effort was launched on his behalf to unfreeze a string of Swiss bank accounts held in the names of his various front companies. The chief lobbyist was Hugh Culverhouse, Sr., a business partner of Marvin Warner and the attorney in Jacksonville, Fla. representing the personal interests of Ed Ball, a director of the Billygate-contaminated Charter Oil Company. It was through Charter Oil, according to confidential sources, that over \$25 million was laundered into the personal offshore accounts of the Carter brothers by the Qaddafi government during Jimmy Carter’s tenure in the Oval Office, through Charter Oil’s ownership of a Bahamian oil refinery that processed Libyan oil for, among other things, sale to Cuba.

Bankrolling the Temple Mount plot

To date, despite his claims of large purchases of Israel Bonds, no publicly acknowledged investigation has ever been conducted into the personal involvement of Isaac Kattan-Kassin and his Colombia-to-Switzerland dope-money flow in the funding of the Jewish terrorist underground in Israel.

However, Middle Eastern sources have pointed to the Aleppo Jewish enclaves in Brooklyn, New York, and Deal, New Jersey as the financial and spiritual hub of the plot to blow up the Temple Mount and trigger an anti-Western *jihad* throughout the Eastern Mediterranean. These sources identify Sam Kattan, of the same Aleppo clan as Isaac Kattan-Kassin (Kassin is another of the major Aleppo Jewish ex-

tended families), as the “godfather” of the Aleppo community in Brooklyn.

Through a web of charitable funds, banks, and yeshivas in Brooklyn, Deal, and the Old City of Jerusalem, this tightly knit, U.S.-based Aleppo, Syrian circle conduits revenues, believed to include heavy doses of black market funds, into the Jewish fascist underground.

The two principal yeshivas in Jerusalem providing cover for the Temple Mount plot are Ateret Cohanim and Birkat Avraham. Both are predominantly funded through the Aleppo connection, through the Aleppo-run North American Bank of Israel, through the personal financial resources of the Dwek-Safra complex, and through the PEF Israel Endowment Fund, Inc. of Madison Avenue, New York City.

The latter is a thinly veiled cover for Aleppo family funds provided by the Nakash brothers, owners of Jordache Jeans; Edmond Safra, suspected gold and diamond smuggler and owner of Safra Bank of Rio de Janeiro, Republic National

Sources have pointed to the Aleppo Jewish enclaves in Brooklyn, New York, and Deal, New Jersey as the financial and spiritual hub of the plot to blow up the Temple Mount and trigger an anti-Western jihad throughout the Eastern Mediterranean.

Bank of New York, Banque Safra of Switzerland, and dominant shareholder until recently in Shearson, Lehman, American Express; Stephen Shalom; and the Murjani family of Murjani Jeans. The attorney in New York City “managing” the placement of these funds is Bernard Hoening, a family retainer of several of the leading Syrian Jewish families of Brooklyn, including the Shaloms and the Esses.

Cyril Dwek, the right-hand man of Edmond Safra, the suspected successor of Isaac Kattan-Kassin as chief money-washer for the Aleppo families, is the personal financial angel, according to the sources, of the Birkat Avraham yeshiva, populated exclusively by ex-convicts recruited to the fanatical Temple Mount movement.

The Ateret Cohanim yeshiva, founded in 1978 by Mattityahu Dan, a suspected agent of Terror Against Terror boss Rafi Eytan, the manager of Ariel Sharon’s 1976 campaign for the Likud nomination as prime minister, is occupied exclusively by veterans of the Israeli Defense Force, who frequently travel through the Old Moslem Quarters of Jerusalem, site of the yeshiva, heavily armed. It is also suspected

that, through the Eytan connection, these military veterans are being employed as a pool of trained assassins working in league with Syrian intelligence to wipe out the moderate leadership of the PLO.

Augmenting the PEF and direct Syrian conduits of funds into the Temple Mount plot are two New York City based charitable fronts, both linked to the Aleppians and to the Gush Emunim and Jewish Defense League. These are the Settlement Movement Family and Legal Defense Fund and the Gush Emunim Foundation. Rabbi Shlomo Aviner, head of the Ateret Cohanim yeshiva, an identified agent of the Israeli Shin Bet and the principal recruiter of the new Sephardic “priesthood” of Temple Mount hoodlums, sits on the board of both of these funds.

However, the identified controller of these two conduits of terrorist funds is Robert Jacobs, a certified public accountant with offices at 1180 Avenue of the Americas in Manhattan. Jacobs, a principal financial angel of Rabbi Meir Kahane and Kahane’s former partner, Joseph Churba, has been running a penetration operation for at least the past 12 months into U.S.-based Reaganite conservative layers, while at the same time directing the funding of the legal defense of the Gush Emunim movement’s Rabbi Levinger and the 26 Jewish fascist-underground members arrested in conjunction with the bomb plot at the Dome of the Rock.

At least one of the “Israeli New-Right” operatives laundered into such quarters as the offices of Sen. Jesse Helms (R-N.C.), the National Security Council, the White House staff, and the Moral Majority of Rev. Jerry Falwell through Jacobs’ actions, is a high-probability KGB agent. Avigdor Eskin, aide to Knesset member Michael Kleiner, is the Russian-born son of a Soviet doctor, the “founder” of the Jewish Defense League branch in the Soviet Union who translated the writings of Rabbi Meir Kahane into Russian, and was then “emigrated” to Israel by the Soviet government.

The Eskin deployment is the tip of a much larger iceberg with profound implications for the future of U.S. relations with the nations of the Eastern Mediterranean. At the heart of the quid pro quo between the ruling Assad clan in Syria and the Aleppo mob running the Ariel Sharon-Rafi Eytan “factor” inside Israel is the fact that the Syrians and the Syrian-allied Israelis are preparing to assume the role of regional satrapal lords for a Soviet military power that is viewed as the dominant power in the region for the next decades. At the heart of the Syrian-Aleppoan “deal” and the fostering of a Moslemization of Israel is a betrayal of the United States.

It was a standing joke for years in the inner sanctums of Swiss banking that all differences between the Sharon mafia in Israel and the Assad mafia in Syria melted at the portals of the Swiss banks, where both jointly deposited their black-market funds. Now, with the “Aleppo connection” exposed to the light of day, the deeper truth underlying that irony is out on the table.

Weinberger: Soviets ready missile-defense 'breakout'

by Charles B. Stevens

In his April 2nd, early morning wakeup press conference, particularly designed to reach the Western European public, Secretary of Defense Caspar W. Weinberger presented the latest U.S. government edition of *Soviet Military Power 1985* and some startling facts confirming the U.S.S.R.'s breakout of the 1972 Anti-Ballistic Missile (ABM) Defense Treaty with both conventional and beam weapon systems. According to the data and photographs reported by Secretary Weinberger for the first time, the U.S.S.R. seeks a "monopoly" on missile defenses, it is completing a nationwide conventional ABM system which could "be operational in the late 1980s," and "they have progressed beyond technology research and they're actually developing prototype laser weapons . . . for ballistic missile defense by the late '80s," while simultaneously maintaining the largest offensive weapons buildup in history.

Soviets preparing beam weapon defenses

Contrary to some news reports, both the Secretary and this Pentagon publication described in stark detail Soviet programs for early deployment of more advanced beam-weapon missile defenses which the U.S.S.R. has been working on for more than 20 years.

Soviet Military Power reports, "By the late 1980s, the Soviets could have prototypes for ground-based lasers for ballistic missile defense. . . . The many difficulties in fielding an operational system will require much development time. . . . However, with high priority and some significant risk of failure, the Soviets could skip some testing steps and be ready to deploy a ground-based laser BMD [Ballistic Missile Defense] by the early-to-mid-1990s. . . . Soviet pro-

grams for the development and application of directed-energy technologies to strategic defense have been very vigorous in the past and will continue to be so in the future, irrespective of what the U.S. does about new strategic defense initiatives."

With regard to this Weinberger emphasized: "Now I think perhaps most important of all, some of the most important data in the book, relates to laser technology. The Soviet Union's high energy laser program is now much larger than the United States' effort. It involves more than half a dozen major research and development facilities and test ranges, and the one shown here is at Sary Shagan. It has about 10,000 scientists and engineers devoting full time to this project. The importance of it of course is that they have progressed beyond technology research and they're actually developing prototype laser weapons. They've already got ground-based lasers that can be used to interfere with American and allied satellites. And they could have prototype space-based anti-satellite laser weapons by the end of the decade. They could have prototypes for ground-based lasers for ballistic missile defense by the late '80s. . . .

"These are the systems that the Soviets are doing everything they can to block the Americans from proceeding in, and it's quite obvious why they are doing that. It's because they are not only doing it themselves, but they've made very great progress, and they clearly want a monopoly in this field. . . . And even as they move ahead in that ground-based and eventually space-based laser systems that are the heart of the strategic defense initiative, and they are working also on systems that interfere with U.S. and allied satellites. Meanwhile, they're doing more than research. They continue to maintain the world's only anti-satellite system."

In terms of realizing the key technological base for full-scale laser weapon deployment, according to *Soviet Military Power 1985*, the Soviets have apparently demonstrated one of the essential ingredients: a light-weight, mobile and compact means of high power electricity generation. As pointed out in *Soviet Military Power* the Soviets: "have developed a rocket-driven magnetohydrodynamic (MHD) generator which produces 15 megawatts of short-term electric power—a device that has no counterpart in the West." Most laser and particle beam systems are powered by electricity. The U.S.S.R. has long had the world's largest MHD development program. By actually constructing an MHD system which directly converts the high-power heat and thrust of a rocket engine exhaust gasses into intense pulses of electricity, the U.S.S.R. has perfected a compact beam power supply that can be used both on earth and in space.

In responding to a question about the Soviet nuclear bomb powered X-ray laser program, Secretary Weinberger noted that: "There are a lot of things that we were not able to put in the book. We have in the book . . . the maximum amount that can be published in this unclassified form."

And while the U.S.S.R. is spending as much or more on strategic defense, the Soviet nuclear offensive buildup is truly awesome. For example, Secretary Weinberger revealed that beyond the two new ICBMs, "their fifth generation" which will be deployed this year and next, "Activities at the ICBM test range indicates that two additional ICBMs are under development. . . . One . . . is likely to replace the SS-18" which is the monster battle queen of the Soviet nuclear missile force. This means that the U.S.S.R. will have developed and deployed four new types of ICBMs within the same period that it has taken the U.S. to develop and build one—the MX Peacekeeper.

Most sobering of all is the Soviet "civil defense" program, which is one hundred times bigger than that of the U.S. While the United States is proceeding to demolish its basic steel-making capacity through demolition of numerous blast furnaces across the country, the U.S.S.R. is utilizing its two-fold greater steel output to build a "comprehensive and redundant system, composed of more than 1,500 hardened facilities" for "175,000 key personnel" and "extensive sheltering in or near urban areas" for the general population, according to the Pentagon publication.

Both Weinberger and this 4th edition of the U.S. Defense Department's official review, *Soviet Military Power 1985*, detail how the U.S.S.R. is continuing its buildup of more conventional ABM, anti-missile missile defenses and the radars that guide them in direct violation of the U.S.-Soviet 1972 ABM treaty.

In particular Weinberger refutes some published reports that the new Soviet radar is not an ABM radar: "The new large, phased array radar for ballistic missiles, early warning, and target tracking under construction at Krasnoyarsk that you see here, a whole series of those well inside the prime-

"If the Soviets should get a kind of defensive system that we are doing the research on now . . . then you have a very much more dangerous world in which stability would not be one of the factors that you'd be permitted to talk about any longer."

ters of the Soviet Union, is designed to close the final gap in their old radars and their modern, phased array radar network. . . . This new radar violates the 1972 ABM treaty. It is not located on the periphery of the Soviet Union. It's not pointed outward—and this complete network of these radars to provide target tracking data for ABM deployments beyond Moscow, which of course is another of the violations of the treaty. It probably will be operational in the late 1980s."

Soviet Military Power elaborates on this: "The new, large phased-array radars under construction in the U.S.S.R., along with the HEN HOUSE, DOG HOUSE, CAT HOUSE, and possibly the Pushkino radar, appear to be designed to provide support for such a widespread ABM defense system. . . . In addition, the Soviets are deploying one surface-to-air missile system, the SA-10, and are flight testing another, the mobile SA-X-12. The SA-X-12 is both a tactical SAM and antitactical ballistic missile. It may have the capability to engage the LANCE and both the Pershing I and Pershing II ballistic missiles. The SA-10 and SA-X-12 may have the potential to intercept some types of U.S. strategic ballistic missiles as well. These systems could, if properly supported, add significant point-target coverage to a widespread ABM deployment."

One senior defense intelligence official in a background briefing before Weinberger's press conference noted that previous news reports to the contrary are wrong and all U.S. governmental agencies agree on this essential point. And since the construction of this type of ABM radar requires several years and therefore represents the one key, long-term bottle neck to the deployment of a full national defense, the Krasnoyarsk radar is the most serious and egregious type of violation of the 1972 ABM treaty.

In summary Secretary Weinberger emphasized: "If the Soviets should get a kind of defensive system that we are doing the research on now, as I say they've been working on it a lot longer than we have and in some areas are ahead of us, then you have a very much more dangerous world in which stability would not be one of the factors that you'd be permitted to talk about any longer. . . ."

Defense head: IMF could hurt U.S.

Excerpts from the transcript of questions and answers at Secretary Weinberger's April 2 press conference follow. In reply to a question from an Executive Intelligence Review reporter, Weinberger became the first cabinet-level official of the Reagan administration to publicly identify the International Monetary Fund as a strategic liability to the Western Alliance.

Q: *Executive Intelligence Review* has produced a new Report showing that there is a staggering collapse in U.S. basic industry at the same time as the Soviets are increasing their advantage in this area. For example, steel. The Soviets are out-producing us by two-to-one in this critical area. That is only one example of a similar trend. Do you see a basic industry gap as a key factor for Soviet worldwide hegemony as both Gorbachov and Arbatov have suggested?

Weinberger: No, I think we have the capability and the potential of converting our immense industrial resources to the kind of military production that we would need in the event we had to go to war. But I think it's extremely important to recognize that we have to take steps now to maintain and preserve that industrial capability.

It is certainly true that the Soviets are adding enormously to their military-industrial capability at the great expense of their economy and the quality of life of their citizens which is, again, one of the extraordinary differences between our two societies. I am confident that we do have the military capability, the industrial capabilities, that we need to support the kind of military that we require to maintain deterrence. But we have to bear in mind that we have to continue to take the necessary steps to preserve and strengthen and protect that.

Q: Mr. Secretary, I notice you do not mention the nuclear bomb-powered X-ray laser. Why would the United States apparently forego the development of this apparently most effective defense system when the Soviets never appear to neglect to go ahead with the most effective systems?

Weinberger: There are a lot of things that we were not able to put in the book. We have in the book the maximum amount that combined discussions over the months have produced

between the intelligence community and the Defense Department, and this represents the maximum amount that can be published in this unclassified form. What we are doing with the strategic defense and research program will be to examine all methods of trying to destroy Soviet incoming missiles outside the atmosphere, and to destroy them with non-nuclear means. These are the basic specifications to which we're working, and we expect that the research will disclose whether or not a thoroughly reliable defense can be developed based on those parameters.

Q: Why is it stabilizing for us to get [the SDI] first and destabilizing if they [the Soviets] get it first?

Weinberger: Well, because of the difference in the systems, because of difference in usage, because of the way they have behaved in the past, and because of their obvious world ambitions. We had a total monopoly on nuclear weapons for many years and did not use it. I cannot imagine the reverse of that situation.

Q: Regarding Soviet offensive developments, could you elaborate a little bit further on the situation facing our allies in Western Europe, and particularly their various reports of Soviet consolidation of command and control and logistical capabilities, offensive operations, the headquarters established by Marshal Ogarkov in the Western theater, and these developments facing Western Europe?

Weinberger: Yes, I think there's no question that the Soviet forces facing the central front, facing the NATO countries in the central front, as well as on the flank, is under a continuous process of strengthening and modernization and adding to the basic imbalance that has existed for some considerable time. That's why we think it's so critically important that we continue to take a very active role in NATO while we continue to support our NATO allies to the maximum extent possible.

The old theory used to be that the Soviets had very large, heavy, relatively slow, immobile forces, and that is not true now because they are quite flexible in their willingness to study and adapt new tactics.

This book originated at the urgent request by my colleagues in NATO four years ago, that we get something out that could be published, to demonstrate exactly the points you make. We in the United States have to be part of [the improvement of conventional forces in the central front] because in my opinion and the opinion of the administration, the United States could not possibly live in a world in which Europe were overrun by the Soviets.

Q: There's more in this edition of *Soviet Military Power* than ever before about the Soviets' strategic defense program. Is that tied in at all with your own campaign to convince Congress and the allies to accept the American SDI?

Weinberger: It isn't so much a campaign as it is to present to the Congress the urgent necessity of our doing what we're doing. A lot of people have seemed to take the position that

Nicholson's murder an 'Act of War'

"No. It was not a random act. It was deliberate, as indicated by the fact that there was more than one Soviet soldier involved. It reflects the nature of their system."

This was the response of Secretary of Defense Caspar Weinberger to a question concerning the cold-blooded murder of U.S. Major Arthur D. Nicholson by a Soviet soldier on March 27, at an international press conference held to announce the release of the Pentagon publication, *Soviet Military Power IV*.

Major Nicholson, a member of the U.S. Military Mission stationed in Potsdam, East Germany, was fatally wounded while carrying out an unarmed assignment in the company of a staff sergeant near the East German town of Ludwigslust. Such military missions are part of a sanctioned arrangement between the Soviet Union and the Western nations, worked out as part of the Four Power Agreements on Occupied Germany in the aftermath of World War II. That arrangement, which has been described as "licensed espionage," allows each side several

outposts, that is, Military Missions, and travel rights in the other side's occupied zones.

The Soviets have three such missions in West Germany and constantly engage in missions like that of Major Nicholson—over 2,500 such missions in 1984, sources say.

According to information made available to *EIR*, Major Nicholson was *not* "inside a Soviet military warehouse" when he was shot, as reported in the press. On the contrary: The major had simply arrived in the general vicinity of the warehouse *while on his way to a prearranged meeting with a Soviet counterpart*.

Nor was Major Nicholson killed in a flurry of gunfire by a Soviet soldier. He was assassinated by means of *a shot to his head*. Simply put, the unsuspecting Major was lured to a prearranged location by Soviet intelligence, and then murdered.

According to U.S. intelligence sources, there are to be four more such killings carried out in Western Europe within the next 90 days. The targets will include field-grade officers of at least the rank of major, as well as one U.S. general officer.

In these cases, the assassin will not necessarily be a Soviet soldier, but could as easily be drawn from the ranks of the numerous terrorist groups, or the drug networks who are in close collaboration with the Soviets.

this is some brand new American initiative which is an interesting pursuit of some kind of very improbable fantasy weapon. The problem is that it is a very necessary thing to do, and a prudent thing to do, as the NATO Defense ministers unanimously agreed last week at Luxembourg, in view of the Soviet activities. Now we have other ideas in mind besides that. We do think that it could offer a great deal more hope, ultimately, to the world, but the two forces are there and require it.

We are publishing now, after a lot of discussion, as I say, with the intelligence community, a part of what we know about the Soviet efforts in this field, and they are very substantial. They've gone on for a long time and they're very clearly pointed toward acquiring the precise kind of capability that they not only deride but argue is so terribly destabilizing and dangerous, and from their point of view it probably is because it would break their monopoly.

Q: There has been a lot of talk about spokesmen saying that the federal deficit is the greatest threat to the stability of the world economy right now, and specifically from that standpoint saying the defense budget must be cut. The International Monetary Fund at its interim meeting coming up here in Washington later this month is reportedly going to try to seek oversight on the U.S. federal deficit. Don't you think that

represents a threat to the sovereign interest of the United States defense budget if they were to obtain oversight capacity and seek—

Weinberger: We're one of the largest contributors to the IMF. I'm a little surprised if our representatives agree to anything of that kind. I've not heard that proposal made before. I would agree that it would be a serious infringement on our own sovereignty.

Everybody would like to reduce the deficit, and we have to ask whether sharp reductions in the defense budget would do that, and we don't think they would. We also have to ask whether or not the priorities are straight, because we need to have the kind of defense that guarantees us the ability to pursue all of our interests, and particularly to maintain peace and freedom. We need that and our allies need it.

So it's vital that we make sure that we do have the defensive strength that is needed, particularly when we're up against a system that doesn't have any restraints of any kind on the amount that they put into the military. They don't worry about their civilian economy, they don't worry about the quality of life for their people which we do and must do and should do, and so we have to keep all of these things in perspective. Reductions in the deficit are possible, but we should not feel that reductions in the deficit take precedence over absolutely every other policy and issue in the world.

McCloy's children try to destroy German-American relations

by Mark Burdman

It was hardly a surprise that the first act of the organizers of the March 28-31 conference of the Atlantic Bridge and American Council on Germany in Dallas, Texas was to declare that all organizations and individuals associated with Mrs. Helga Zepp-LaRouche's Schiller Institute would be denied entry as observers to the proceedings.

As the Schiller Institute was created in 1983 to strengthen U.S.-German relations on all levels, the last thing that the Dallas event coordinators would want is for their efforts to undermine U.S.-German, and thereby U.S.-European, relations to be observed.

The hysteria in Dallas should not be seen as unrelated to what might otherwise appear to be a coincidence: Right after the Dallas conference, on April 2 in Washington, D.C., hundreds of policy influentials from the Federal Republic of Germany and the United States congregated at Room 325 in the Russell Building of Capitol Hill to fête the 90th birthday of Mr. John J. McCloy, Sr., the godfather in the post-World War Two period of the Anglo-American occupation policies for the F.R.G. It was under McCloy's personal direction that the postwar brainwashing of leading German elites was conducted, to destroy a sense of nationhood and patriotism and to impose the psychosis of "collective guilt" on the German citizenry.

McCloy also trained or patronized an entire generation of policymakers—including Henry Kissinger, McGeorge Bundy, and former Sen. Charles Percy, who is being rumored as a possible choice for next U.S. ambassador in Bonn—in the insane political-strategic doctrines for U.S.-European relations that were imposed under Mutually Assured Destruction and "flexible response." Under these doctrines, the only role for Germany in the past three decades has been to passively subject itself to being a potential hostage in a superpower game of nuclear "chicken."

Nothing has done more to disrupt McCloy's filthy game than the Strategic Defense Initiative program for shifting U.S. doctrine to one of Mutually Assured Survival. It is the irreversibility of that new strategic reality that has thrown McCloy's minions into the panic that would necessitate exclusion of the Schiller Institute from their treacherous proceedings.

"I have the feeling that if we'd had a conference here in Dallas on pediatrics, it would have turned out to be on SDI."

So Harvard Prof. Gregory Treverton, a participant at the Dallas conference, summed up the four-day proceedings.

Indeed, the conference was not one of pediatrics, but the behavior of most of those in attendance in reaction to the new reality of the SDI could certainly be likened to the whining of babies.

Of the 120 West Germans and 80 Americans in attendance, the participants were predominantly those involved in negotiating a "New Yalta" appeasement deal with the Soviet Union. These included: Richard Burt, U.S. assistant secretary of state and rumored next U.S. ambassador to Bonn; Arthur Burns, outgoing U.S. ambassador to Bonn; Lawrence Eagleburger, president of Kissinger Associates consulting firm; William Hyland, former Kissinger underling at the National Security Council and current editor of the Council on Foreign Relations' *Foreign Affairs* magazine; Paul Volcker, chairman of the U.S. Federal Reserve Board; David Aaron, former Mondale Campaign national security adviser who had been the leading KGB mole on the Carter administration NSC; Georgia Sen. Sam Nunn, the legislator of the Kissinger "decoupling" faction in Congress; Jürgen Möllemann, special "dirty tricks" man for West German Foreign Minister Hans-Dietrich Genscher; Horst Ehmke, Karsten Voigt, and several other West German Social Democratic Party parliamentarians; Karl Kaiser, head of the West German branch of the Council on Foreign Relations; and Martin Bangemann, West German economics minister.

The characteristic mood of the majority of West German participants, whether nominally Christian Democratic or Social Democratic in party affiliation, was their angry denunciation of Schiller Institute representatives demonstrating outside the conference hall demanding the banning of the West German Green Party.

Inside the conference hall, the pro-SDI statements made by SDI director Lt.-Gen. James Abrahamson, Undersecretary of Defense Fred Ikle, and West German Defense Minister Manfred Wörner came under constant assault from the appeasers.

Ehmke, suspected by many of being an asset of the East

German Stasi intelligence service, declared that the SDI was leading to "dangerous instability in U.S.-Soviet relations." Ehmke also said that "it is apparent to Europe that the SDI program is not a 5-year program that will cost \$30 billion, but a 10-year program of research, testing and deployment with a cost of \$70 billion."

He was seconded by Voigt. As for Möllemann, the man described by West German insiders as "Genscher's personal mine-field," he went one step further: Having hurriedly interrupted a special diplomatic mission in Europe of Genscher to fly into Dallas, Möllemann then returned to the Federal Republic to denounce Defense Minister Wörner for having broken previous government positions on the SDI! This, plus calls from leading Social Democrats for a new anti-SDI "grand coalition" government in the coming months, is creating conditions of instability in Bonn that are exactly what the Soviets want.

The flip side of the coin came from the Kissinger crowd in attendance. Kissinger Associates president Eagleburger, whose valedictory speech as State Department assistant secretary of state in 1984 had been to call for a phased U.S. military withdrawal from West Germany, said that "the defense initiative is one of four potentially divisive issues in U.S.-German relations," along with lagging German development of high technology; lack of German sympathy and support for U.S. Central America policies; and differences over financial policies that permit Third World countries to refinance their defaulted loans.

Hyland said that the SDI "has the makings of a major alliance crisis unless handled carefully, perhaps with some U.S. concessions." He recommended, in an interview with the *Washington Post* in Dallas, the "formation of a high-level Atlantic alliance group on how to accommodate SDI, at least for the rest of Reagan's term."

Reliable sources in attendance also report that Nunn and others "terrified" the West Germans with threats to reinvigorate the campaign in Congress for phased withdrawal of U.S. troops in Europe and to tie U.S. cooperation with West Germany to increased spending on defense on the part of the Federal Republic.

Socialist International invasion

The strident anti-SDI campaign of Ehmke et al. in Dallas was only one episode in a virtual invasion of the United States since the weekend of March 23-24 by KGB-linked leaders of the Socialist International.

On that weekend, leaders of the Socialist International's Advisory Commission on Disarmament, many of whom had had meetings in the U.S.S.R. with Soviet leader Gorbachov, arrived for meetings in Washington. Members of the visiting delegation included Finnish Prime Minister Sorsa, chairman of the Advisory Commission, and staffers from the Socialist International headquarters in London.

They met with Richard Burt, Sen. Gary Hart, and other

appeasers, on a reconnaissance mission on the SDI. During the week of April 8, the Disarmament Commission's findings on the SDI will form the basis for foreign policy resolutions by the heads of the European socialist parties meeting in Madrid.

On the night of March 27, Ehmke and Voigt arrived in Washington together with parliamentarians Norbert Wiczorek, Dietrich Stobbe, and Gunther Verheugen. Before departing for Dallas, they had a private meeting with the KGB-linked chief lobbyist against the SDI, John Pike of the Federation of American Scientists, for a special (dis-)orientation meeting on the SDI.

Upon returning from Dallas, all five were participants at a March 31 meeting of the Friedrich Ebert Foundation in D.C. on the subject of "Anti-Americanism: Slogan or Reality?"

Ehmke made no bones about his reply to this question. "It's not wise for an American government to turn around and say, if you're against the SDI, you're anti-American, because this may become a self-fulfilling prophecy and create *actual* anti-Americanism in Germany," Ehmke warned.

He also reported a growing "protest movement" in Europe that is based on a "cultural revolution," a "European renaissance" against the "modern culture for which America is the protagonist. Ehmke's revolution would be based on the view that "small is beautiful . . . and rock music sung in dialect."

Following that event, the five parliamentarians spent almost the entire day at the command-center for organizing anti-Americanism around the world: the U.S. State Department. Their schedule included a meeting with Burt.

And bile from Helmut Schmidt

Perhaps the most insidious of all the appeasers' outbursts of the late March-early April period have been those of Kissinger's buddy Helmut Schmidt, former West German chancellor, who has been in the United States on a paid speaking tour. This has included a four-part speaking-engagement at Yale University and an April 4 speech at the New York Council on Foreign Relations.

According to the April 1 *Boston Globe*, Schmidt attacked the United States for trying to impose its will on the West on the SDI question "without so much as informing, much less consulting" its allies.

The Europeans, said Schmidt, are "very hesitant to buy Star Wars. . . . Everyone in Washington, Bonn, and Paris knows that there is no basis for accord within the alliance. If it did become a reality, it would not give any additional shelter to European or Asian countries. From a European view, the funds spent on Star Wars were in short a neglect of the conventional field."

"In the long run, Germany will only stay on the Western side with French help. It cannot be tied to the West by a President either from Georgia or California," Schmidt sneered.

AEI backs Soviet takeover in Europe

by Kathleen Klenetsky

The American Enterprise Institute, a prominent Washington-based think tank which prides itself on its conservative Republican credentials, has now formally certified its pivotal inside role in the Soviet conspiracy to split NATO and bring Western Europe into its expanding sphere of influence.

Officials of the outfit, which supplied such influential figures to the first Reagan administration as U.N. Ambassador Jeane Kirkpatrick and U.S. Ambassador to West Germany Arthur Burns, don't even attempt to hide this treachery. At an April 1 AEI seminar devoted to the budget deficit, senior fellow Norm Ornstein boasted to *EIR* that he and other members of the institute are busily lobbying on Capitol Hill to get Congress to enforce an American troop pullout from Europe.

"What we're proposing is that Congress cut back the U.S. military presence in Europe by one-fourth to one-third," he disclosed. "We say this is the best way to save money in the defense budget, and to help cut the deficit. It would save us tremendous amounts of money, both in actual troop costs, and in the massive support apparatus required to maintain them."

But wouldn't reducing American forces imperil Europe's security by encouraging a Soviet offensive, he was asked? Oh, no, Ornstein replied breezily. "I think we could safely reduce our troops by that amount without jeopardizing West Germany's security."

By advocating such a measure, Ornstein and the rest of the AEI gang place themselves in direct opposition to the administration they claim as their own. Both President Reagan and Secretary of Defense Caspar Weinberger have repeatedly reaffirmed their strong opposition to any lessening of America's commitment to Western Europe. Indeed, at a press conference April 2, Weinberger repeated a warning he has directly issued in the past to advocates of a U.S. troop pullout: "The United States could not survive in a world in which Europe was overrun by the Soviets."

That doesn't faze AEI. As *EIR* revealed in January 1984, AEI's Arthur Burns, together with Henry Kissinger, engineered the whole campaign to decouple Europe from the United States. During his tenure as Reagan's ambassador in Bonn, Burns has furthered that gameplan by feting representatives of the East bloc-funded Green Party, which advocates a U.S.-Europe decoupling, and by sending back lying intel-

ligence reports to Washington that these savagely anti-American terrorists pose no threat to NATO.

That's par for the course for AEI which, under cover of a carefully cultivated "conservatism," has been successfully peddling oligarchical policies to honest conservatives—including influential members of the Reagan administration—ever since it was taken over by Bill Baroody, Sr. in the late 1940s. Scion of an ancient Lebanese oligarchical family, Baroody was trained by the Benedictines at St. Anselm's in New Hampshire, and effectively turned AEI into a vehicle for Benedictine penetration of the American conservative movement.

It is worth keeping in mind that in July 1983, St. Anselm's hosted a week-long "Forum for U.S.-Soviet Dialogue," which brought a large group of KGB agents to the U.S. to profile the American population on the SDI, and that Archbishop Rembert Weakland of Milwaukee—the former Abbott Primate of the Benedictines worldwide who last week called for extending IMF surveillance to the United States—has frequently spoken at Green-sponsored rallies in West Germany protesting the American military presence there.

AEI's support for decoupling is consistent with the Benedictines' overall strategic goal of destroying the nation-state and erecting on its ashes a new form of the ancient pagan empires.

Nunn amendment becomes a habit

In his remarks to *EIR*, Ornstein disclosed that he is working closely with a number of influential members of Congress, including House Armed Services Committee chairman Les Aspin (D-Wisc.), Sen. William Cohen (R-Maine), and Sen. Sam Nunn (D-Ga.) on a revamped version of the amendment Nunn introduced last June mandating a phased American troop pullout from Europe. "This will become a major focus on the Hill by next month," Ornstein confidently predicted. "Nunn plans to take it up again in a big way, though not necessarily in the same form as last year."

Nunn and Aspin just happen to belong to AEI's National Defense Policy Studies Advisory Council, whose other members include Reagan senior arms-control adviser Paul Nitze and Sen. Charles Mathias (R-Md.), a leader of the anti-SDI cabal in Congress who is also sympathetic to the Greens.

Ornstein believes all further funding for the MX should be "terminated," and admits he is "highly skeptical" about the SDI. His main complaint with the Pentagon is that "the U.S. has no military strategy. They ask for weapon systems before they have any idea why they need them." That's why, he told *EIR*, he's so "very pleased" that Aspin is now running the House Armed Services Committee, and that Senator Nunn and Cohen are major influences at Senate Armed Services. "These people think in terms of strategy, not weapons systems," Ornstein said.

As for the best means of imposing cuts in military spending, Ornstein opined, "IMF surveillance [of the U.S. economy] wouldn't be a bad idea at all."

Kissinger Watch

by M.T. Upharsin

Who's next?

On April 3, 1984, we published a column called, "Kissinger and Organized Grime," detailing Kissinger's ties to the crowd running Shearson/American Express and explaining the background to Fat Henry's being put on Shearson/Amex's board of directors. One year later, to the day, the Philadelphia offices of Shearson Lehman, the brokerage house subsidiary of Shearson/Amex, were raided by officials of the U.S. Customs Service, joined by the IRS and the FBI under the direction of the Financial Task Force of the U.S. Justice and Treasury departments. According to the *Philadelphia Inquirer* of April 4, the officials seized "hundreds of business records in an investigation of alleged unreported cash transactions and money laundering."

Twenty-seven months of cash receipts, disbursement blotters, and other records were seized in the process. This should set in motion some unwanted twitches and flutters in Henry Kissinger's heart; it is the second time in weeks that a Kissinger-associated individual or entity was nailed for money-laundering scams.

In a recent column, we reported that a good buddy of Henry Kissinger, Propaganda-2 Freemason leader Francesco Pacienza of Italy, had been arrested in New York by Customs officials as a result of investigations that included evidence that Pacienza had been involved in drug-trafficking-related money. The Italian press was replete with reminders that Kissinger was one of Pacienza's good friends.

On the Philly case, it should also

be noted that one of Kissinger Associates' partners, banker Mario d'Urso, is a board member of Shearson/Lehman/Amex. D'Urso, a darling of the Soviet-linked Venice-Trieste finance-and-insurance crowd, was unavailable for comment on the April 3 raid. But sources close to D'Urso expect that the subject will be on the agenda when the full board of KissAss meets for lunch in New York City on April 23.

A new poll

In the meantime, some enterprising individuals known to *EIR* have initiated a new polling service, tentatively titled, "Who's next?" The enterprising individuals intend to provide questionnaires to the financial *crème de la crème* of the United States, London, Geneva, Venice, etc., to learn their judgment of who is likely to take their turn next in the laundering-charges barrel.

Moscow connection

We refrained from identifying Moscow as one of the money centers involved, for certain self-evident logistical reasons. But that is where a good deal of the Kissinger story must be told. Since the late 1960s' start of KGB rule by Yuri Andropov, the Soviets have become sophisticated in the arts of drug-dealing and money-laundering, to the point of having a controlling impact. Henry Kissinger's recent behavior on the Soviet front would certainly lead one to conclude that he thinks he has some special "arrangement" with people over there, some kind of "deal."

Whenever Henry Kissinger recommends a policy, illicit financial remuneration can not be far behind.

On March 14, Kissinger puzzled

many watching the CBS Morning News by exclaiming that the rise of Gorbachov signified a potential "dramatic breakthrough" in U.S.-Soviet relations, and presented a "moment of opportunity" in bilateral negotiations. The day before, Kissinger lunched with President Reagan. On March 15, U.S. Secretary of State Shultz, just returned from a meeting with Gorbachov at the Chernenko funeral in Moscow, parroted Kissinger's talk of a potential "moment of opportunity."

Kissinger's bowing act toward Moscow was repeated in a speech March 28 before the Chicago-based Refco futures-trading firm. The speech was made in the wake of the murder of U.S. Major Nicholson in East Germany. Despite this, Henry said, "It's much too early to make a judgment. We ought to be a little calmer about this Soviet leadership until it does something." The following evening, March 29, KissAss director Gen. Brent Skowcroft was the keynote speaker at a conference of appeasers gathered at Averell Harriman's Arden House estate in Harriman, New York to discuss expanded U.S.-Soviet trade.

But these are just the prelims. On the morning of April 12, Henry Kissinger will be the keynoter at a panel on "arms control" at the Jimmy Carter Center at Emory University in Atlanta, Georgia. The five-day, April 9-13 conference, co-sponsored by peanut-farmer Jimmy Carter and Gerald Ford, has a most striking cast of characters. Aside from virtually every Neville Chamberlain in the West, the conference will feature four top-level Soviet representatives, including Soviet Ambassador Anatolii Dobrynin, the Soviet imperial regent for North America; Soviet Defense Ministry official Lt.-General Mikhailov; Soviet Foreign Ministry official Sergei Tarasenko; and Soviet scientist E. P. Velikhov.

Retrofit for genetic diseases

The unique properties of retroviruses, discovered in research on AIDS, point toward a cure for once untreatable maladies.

Retroviruses, a unique set of viruses which lack the usual genetic material DNA, have been much in the news since one of them, known as HTLV-III or LAV, has been identified as the cause of Acquired Immune Deficiency Syndrome (AIDS). Another of these organisms, HTLV-I, causes a rare form of leukemia and, according to a recent report, may be carried by up to 1 million Americans.

Now, an article in the May 1985 issue of *Science Digest* reports that retroviruses may soon be used to replace missing or defective genes responsible for a number of genetic disorders. Of the more than 3,000 known genetic diseases, approximately 1,600 result from absence or defect of a single gene. At present, medical science is capable of treating only a few of these diseases, and the treatments do not remedy the underlying problem.

Now, a number of teams of scientists are working to develop a practical technique to utilize the unique properties of retroviruses to insert missing genes into the cells of patients who lack these genes.

The approach used is to take advantage of the ability of these viruses to reprogram the genetic machinery of the cells they infect. When a retrovirus, which contains RNA instead of DNA, enters a cell, it uses the cell's genetic machinery to synthesize a complementary DNA, which then produces multiple copies of the virus. The complementary DNA is actually inserted into the DNA of the host cell and becomes part of the cell's genetic

material, thus permanently altering the cell. In the case of HTLV-III, this results in the death of the target cell, and in the case of HTLV-I, the target cell is transformed to a cancer cell.

The technique now being developed consists of splicing a missing human gene into a retrovirus and using the virus as a messenger to ferry the gene into a cell and insert it into the cell's genetic material. Experiments by Richard Mulligan of MIT and Inder Vermer of the Salk Institute proved that retroviruses will insert foreign genes into host cells.

While the viruses used in the initial experiments do not cause human disease, viruses used to insert material into human cells would have to be at least infectious enough to enter the cells in question. Mulligan and his MIT co-workers got around this problem by using two incomplete viruses, each of which is incapable of breeding new virus particles. In one virus the desired gene is inserted and the genes necessary to enter the cell are removed. From the second virus, called the helper, the genes which are necessary to form a new virus are deleted. When the two viruses are placed in a cell culture, the helper virus inserts the engineered virus into the cell. Since the helper virus lacks the genes to form new virus particles, it cannot reproduce itself, and since the engineered virus lacks the ability to enter other cells, it is trapped in the host cell.

At present, two diseases are prime candidates for treatment by gene therapy. These are adenosine deaminase

deficiency (ADA) and Lesch-Nyhan syndrome. ADA produces severe immune system deficiency and was the disease which affected the "bubble boy" David, who spent his 12 years in a plastic germ-free bubble to avoid exposure to infection. Lesch-Nyhan syndrome is a rare disease characterized by seizures, gout, kidney failure, arthritis, mental retardation, and self-mutilation. Each of these diseases results from deficiency of a single, well defined enzyme, and potentially would respond to replacement of that enzyme.

ADA is especially susceptible to this type of treatment, since the enzyme defect occurs in white blood cells. These cells can be obtained from the patient's bone marrow, cultured with the virus, and then reinserted into the marrow. In Lesch-Nyhan syndrome, the seizures and retardation result from lack of the specific enzyme in the brain. The problem is to find a method of delivering the gene to the brain cells.

The ultimate potential of this sort of therapy is immense, just in terms of the approximately 1,600 single-gene deficiency diseases, and illustrates how diverse areas of basic research have the potential to interact in unexpected ways. A great deal of the retrovirus work was stimulated by the effort to define the cause of AIDS and the ability to isolate and characterize individual human genes is a result of laser research at Los Alamos and Lawrence Livermore National Laboratories, which are using the technique of flow cytometry to compile a complete library of the human genome.

The supreme irony of the situation is that, just as we stand on the verge of conquering previously untreatable diseases, starvation and its attendant diseases, such as tuberculosis, are staging a comeback in many areas of the United States—a testament to the strength of our economic "recovery."

Dr. Strangelove is alive and well

Because it's a "post-industrial age," industrial weakness is military strength—and if you don't believe it, visit the NDU.

One of the principal national-security threats to the United States is located right inside the defense establishment in Washington, D.C. This threat is not a paid agent or nest of agents of a foreign power per se. Rather, it is an ideology: This writer was quite astonished at the Aquarian streak of "post-industrial" cult-insanity one encounters at the National Defense University.

In terms of its practical expression, these fellows don't want the United States to have a strong military or an industrial infrastructure that can deliver weapons and materiel in time of national emergency. You see, we are now in a "new age," which means that white is black and black is white. The absence of industrial infrastructure and battle-ready armed forces on the part of the United States is a sign of strength in the "post-industrial age," whereas Russia's possession of such "19th-century" relics marks her weakness in the "post-industrial age." No kidding!

Remarkably, the National Defense University is an official branch of the Pentagon, which trains high-ranking military officers, and includes such important institutions as the National War College and the Industrial College of the Armed Forces.

But inside the NDU, the same institution that last year honored West German Green Party leader Petra Kelly with an invitation to speak, one encounters this Aquarian streak in individuals who are out to sabotage the Strategic Defense Initiative and every other move that President Reagan and

Secretary of Defense Weinberger are now making to strengthen and save the Western Alliance.

Take Dr. Harland B. Moulton, a senior civilian professor who believes that one of the greatest disasters in the United States right now is the SDI and the "Pied Piper politics" of President Reagan. Moulton is a committed MADman who tells us that the Soviet Union considers nuclear war "unthinkable."

The Soviets are terrified of U.S. strength, you see; that's why Dr. Moulton believes that the cold-blooded assassination of U.S. Army Major Nicholson in East Germany is "absolutely" insignificant. He also extends that analysis to the shooting down of the KAL-007 flight in 1983. The Soviet officers involved acted on their own and were severely reprimanded by the Kremlin, he assures us.

From the starting point of Moulton's commitment to Mutually Assured Destruction (MAD), he considers the development of beam weapons and other technologies through the SDI to be a figment of President Reagan's imagination. He also finds the MX missile system and rebuilding the U.S. Navy to be unnecessary and a colossal waste.

But strategic affairs are not really Dr. Moulton's area. He is just mouthing the line of the nuclear-freeze professionals like Robert McNamara, the Soviets' Dr. Evgenii Velikhov, and GRU Gen. Mikhail Milstein, including the strange idea that "throwing away" half of the U.S. nuclear arsenal would not upset the balance of terror

that constitutes MAD.

Dr. Moulton is allegedly an economist, and here is where the madness of MAD becomes most obvious.

It's not that Dr. Moulton doesn't know that the industrial capacities of the United States in steel, basic industry, automobile production, and agriculture have collapsed and are being outstripped by the Soviet Union. He wants it that way! The United States, he believes, has passed the industrial age, and must give up on "the technologies of the 19th century."

These industries should be relegated to the "Third World." But, the Third World is bankrupt, *EIR* tries to point out. Well, our Dr. Strangelove tells us to forget the "basket cases" like Africa and Latin America, and move all U.S. industry to the Pacific Basin.

Being from Cargill's Minnesota, Moulton believes in open and free trade with the Soviets. He has no problem with the idea that since 1972, U.S. shipping capability has collapsed, and shipping to Western Europe has been gradually, now almost totally, placed in the hands of Soviet and Bulgarian shipping lines.

The future of America lies in computers, communications, artificial intelligence, robotics, and service industries like fast foods, he thinks. As long as the sea lanes are free, and the Soviet Union remains terrified of the U.S. strategic arsenal, the U.S. can get everything it needs from the outside.

Even more, as an economist, he predicts that the Soviet Union will collapse. Why? Because it is too dependent on "19th-century" industries—the backbone of in-depth military and economic strength!

There is a bright spot: Moulton will be retiring shortly. Even so, we have the nagging feeling that this won't solve the problem at the NDU.

The defense budget gets the axe

Congressional action thus far on the FY1986 Pentagon budget portends ominous developments for U.S. national security. During the first week in April, the pivotal Senate Armed Services Committee, considered to be the panel most in favor of a strong defense, started hacking away at the administration's original \$307 billion request.

In closed session April 2, the panel endorsed deep cuts in the MX missile program. By a party-line vote of 10-9, the committee voted up a proposal by Sen. John Warner of Virginia—a reputedly pro-defense Republican—to produce 21 new MX missiles next year. The administration had requested funds for 48. Adding insult to injury, the Warner proposal also limited the total number of MXs to be deployed in current silos to 50—half the amount sought by President Reagan.

Arguing that “50 is the maximum that should be deployed in vulnerable silos,” Warner, chairman of the strategic and theater nuclear forces subcommittee, said that the second 50 “will be in a basing mode other than present silos.”

The Democrats on the panel voted unanimously against the Warner measure. Edward Kennedy (D-Mass.) and Carl Levin (D-Mich.) attempted to kill the MX outright, while Sam Nunn (D-Ga.) and John Stennis (D-Miss.) advocated 12 MXs in FY1986, limiting deployment to 40.

The Armed Services Committee also put the axe to the Strategic Defense Initiative budget, approving a subcommittee proposal for three levels of reductions ranging between a high of \$750 million in cuts, and a low of \$150 million. The levels would be

based on how much the committee decides to gouge from the overall defense budget.

The Senate Budget Committee, meanwhile, is pressing to keep Pentagon spending at under 3% real growth for FY1986. President Reagan had originally requested an increase of 5.9%. According to reliable sources, the key senators involved, Majority Leader Bob Dole (R-Kan.), Budget Committee chairman Pete Domenici (R-N.M.), et al., are getting a lot of behind-the-scenes help from White House Chief of Staff Don Regan, who reportedly is working nonstop on the President to convince him that 3% is the best he can hope for under current circumstances.

Congress starts hearings on Bank of Boston scandal

Ferdinand St Germain's House Financial Institutions subcommittee opened hearings on the scandal surrounding the prestigious Bank of Boston April 3, hauling bank chairman William Brown and other officers before the panel.

In his opening statement, the Rhode Island Democrat charged that the Bank of Boston had a “cavalier attitude” toward the Bank Secrecy Act and had made noncompliance with its provisions “an art form.”

“The Bank of Boston placed firms controlled by reputed organized crime figures [the dope-dealing Angiulo family of Boston] on its exempt list,” stated St Germain, “thus shielding much of their operations from law enforcement agencies.” St Germain also hit federal enforcement agencies, including the Justice Department and the Office of the Comptroller of the Cur-

rency, for “not caring” about banking's connections to organized crime.

Despite massive evidence linking the bank to the Angiulo family, Brown insisted, “We have never knowingly laundered money,” adding that the bank had been fined \$500,000 in February for violating reporting requirements, “not laundering money.”

At one particularly tense point, Frank Annunzio (D-Ill.) yelled at Brown: “Let's start handing out tough prison sentences to bankers, and let's see if the confession business starts dropping off at the Justice Department.” Annunzio was referencing the recent spate of voluntary disclosures by major banks (presumably precipitated by the Bank of Boston affair) that they too had failed to report large cash transactions as required by law.

Despite the fireworks, however, it is still unclear why St Germain is holding the hearings. There is some speculation that he is exploiting the Bank of Boston situation to further the deregulation of American banking—long one of his major interests. Observers noted how peculiar it was that neither St Germain nor any other member of his subcommittee thought it necessary to introduce William Weld, the U.S. Attorney in Boston who engaged in a cover-up for the Bank of Boston.

Heinz bill would extend Medicare hospice benefits

Sen. John Heinz (R-Penn.) unveiled legislation March 28 to extend Medicare hospice benefits a full three years beyond the current termination date of Oct. 1, 1986.

Chairman of the Committee on Aging, Heinz was one of the prime authors of the original legislation sev-

eral years ago which first permitted hospices to qualify for Medicare reimbursement. Hospices were reintroduced by British euthanasia advocates in the late 1960s to slash health-care costs and increase the death rate by substituting heavy doses of pain-killing drugs (including heroin) for high-technology medical care. The current Medicare hospice law provides for an average \$50 per patient per day reimbursement payment, compared to the \$500 per day cost incurred by terminal patients in regular hospitals.

Heinz, scion of the ketchup-magnate family of Pittsburgh who married into a prominent German-Portuguese oligarchical family, makes no bones about the fact that his effort is designed to reduce drastically the amount of money expended on medical care for the elderly—especially those totally dependent on Medicare.

In a *Congressional Record* statement on his new bill (S. 777), Heinz states: "A third and timely reason to support this legislation is that the hospice benefit can actually save money for Medicare. Preliminary results of the national demonstration project conducted by the Health Care Financing administration documents convincingly the fact that the hospice is a cost-effective alternative to traditionally covered Medicare services for terminally ill beneficiaries. Moreover, the Congressional Budget Office estimates show that substitution of hospice care for acute medical care services typically used during the last six months by a terminally ill patient, will save more than \$100 million for Medicare during the first three years alone."

Nor does Heinz shy away from employing the standard arguments of the Nazi right-to-die crowd: "The new Medicare benefit alleviates pain and suffering and allows the terminally ill

patient to die with dignity. At the same time, it represents a significant potential savings to the Medicare Program."

Heinz also asserted that these "savings will increase as the benefit becomes more accessible to more people," and pledged that as Aging Committee chairman, "I am particularly committed to programs that can brake Medicare's skyrocketing costs without deflecting additional expenses on beneficiaries."

An Aging Committee aide explained to *EIR* that being in a hospice allows the individual to "die a very humane death." The aide disclosed that the committee plans to take up the "wider ethical issues" of the "whole right-to-die argument," including whether suicide should be legalized. A number of congressmen sympathize with that view, she said, "but they're afraid of coming out publicly, because of all the flack that Governor Lamm got."

Kissinger's 'Private State Department' scored

Rep. Henry Gonzalez, a maverick Texas Democrat who has previously called for Paul Volcker's impeachment, took a few swipes at Henry Kissinger's private consulting firm, Kissinger Associates.

In a speech on the floor of the House April 1 in which he compared Kissinger to Volcker, Gonzalez noted that while Kissinger "had left being secretary, he is still a special consultant to Chase Manhattan—got a good fat income. On top of that, he has organized a private-enterprise State Department. Why, there are more foreign diplomats making a beeline for Henry Kissinger's consultant's office

than there are to old George Shultz as Secretary of State."

Gonzalez had demanded an investigation into whether Kissinger's appointment in late 1983 to head the Reagan administration's Commission on Central America constituted conflict-of-interest, given that Kissinger Associates gave business advice to a number of large firms with big operations in Ibero-America.

Gonzalez charged that Kissinger and Volcker "have been unaccountable" and have been "given power, yes, in the case of Mr. Kissinger by a President [Nixon] who delegated presidential power and authority. In fact, I think we had the first prime minister in the history of our country, the way we were operating there for a while."

Capitol Crimes

Rep. Pat Schroeder (D-Colo.), one of the ultraliberals on the House Armed Services Committee, introduced a bill March 28 for a "Simultaneous Comprehensive Nuclear Test Ban. . . . Rep. Trent Lott (R-Miss.) introduced the Reagan administration's proposal for a subminimum wage for youth March 28. . . . The "National Defense Enhancement Act of 1985," unveiled in late March, would pare \$7.1 billion from the administration's FY1986 defense budget, including \$2 billion (more than half) from the SDI request. Sen. Dale Bumpers (D-Ala.), chief sponsor of the bill, claims that "programs like star wars are robbing more urgent [military] programs of the funds they need." Bumpers's wife, Betty, is the founder of "Peace Links," a KGB front which organizes housewives against U.S. defense.

National News

Is Ohio Dem chairman linked to Warner scam?

Ohio Democratic Party chairman James Ruvolo is the latest party bigwig to come under fire for links to the banking scandal which precipitated the March 6 collapse of Marvin Warner's Home State Savings and Loan. Tom Kindness, a Republican U.S. Representative from Ohio, has charged that Toledo's city manager—who arranged for that city to pour millions of dollars into Warner's ESM Government Securities money-laundering operation during the early 1980s—is a close associate of Ruvolo. Kindness also claims that Ruvolo is a close associate of Warner.

And, according to sources, the threads that lead from Warner to Ohio Democratic Party officials are densely woven. Gov. Richard Celeste "is paranoid about his friendship with Marvin Warner. He is closer to Warner than paint on a wall and he can't deny it," former Ohio Gov. James Rhodes has charged.

Rhodes said officials in his administration had alerted their successors about Home State's investments with Fort Lauderdale's ESM Government Securities in 1982, but that the Celeste administration failed to act forcefully enough to stop the investments. "Under Celeste, Home State was allowed to triple its investments with ESM," Rhodes said.

Meanwhile, investigations into Warner's drug connections have gotten more interesting. A U.S. government official involved in combatting the drug trade reports that Warner's ComBanks, based out of Winter Park, Florida, was the bank that laundered financial transactions that brought 4 million pounds of marijuana into the United States during the 1975-81 period. ComBanks was cracked down on in 1982 during the government's "Operation Groper" against drug traffickers. Back in Ohio, a Republican legislator has received authorization to appropriate \$500,000 to investigate Warner's ties to drug money-laundering interests.

The court-appointed receiver for ESM told the House Energy and Commerce sub-

committee on April 2 that Warner's banks became a "cash cow" for ESM, effectively "abandoning Home State" to divert enormous sums of money to ESM to keep it afloat. He described the activities of ESM as "the most abusive corporate raping that I have ever seen," and that his just-issued report documents "the magnitude and grossness of their acts."

Euthanasia 'damages' case overturned

The Massachusetts Supreme Court ruled March 14 that the widow of Earle N. Spring is not entitled to \$1.2 million in damages from the Geriatric Authority of Holyoke for its refusal to kill her husband in 1980 by removing him from kidney dialysis. The decision reversed an earlier lower court ruling, which argued that by continuing to administer treatment to the patient instead of murdering him by pulling the plug, medical officials were guilty of "invasion of privacy."

Then presidential candidate Lyndon LaRouche took up Earle Spring's cause after the dialysis patient told a LaRouche campaign representative that he wanted to live. In its ruling the state supreme court found that the Geriatric Authority of Holyoke was not liable under the law because the law doesn't apply to it.

Robert Spring, Earle's son, denounced the decision, making the remarkable statement that it leaves the elderly "prey to people who want to take advantage of them for their own purposes."

Fraud charged against General Dynamics

Senators Charles E. Grassley (R-Iowa) and William Proxmire (D-Wisc.) have published a new report alleging that General Dynamics, the nation's largest defense contractor, has committed fraud in its dealings with the U.S. Navy. This is the second time in eight days that a major U.S. defense contractor has been mentioned in connection

with fraud allegations.

On March 26, General Electric, the nation's fourth-largest contractor, was indicted by a Philadelphia grand jury on 108 counts of fraud.

According to latest available statistics, General Dynamics held \$6.8 billion in U.S. government contracts in 1983.

Notably, the lawmakers—and news media—promoting the defense-contractor "watergating" spree coincide with those opposed to administration levels of defense spending, and in particular, the President's Strategic Defense Initiative.

U.S. Bishops rewriting *Genesis*?

"The *Book of Genesis* does not in reality have a notion of dominion over nature distinct from stewardship and preservation of the earth's resources, and to think that it does is a misinterpretation based on an incorrect translation from the original Hebrew," says a Jesuit theologian who advises the U.S. Catholic Bishops Conference's Pastoral Letter on the Economy task force.

"The language has been badly abused," he continued. "In reality, the *Book of Genesis* is strong on ecological preservation and on the idea of man being rooted in the earth, and is against the concept of unrestrained human ingenuity."

According to sources, release of the final draft of the Bishops' pastoral letter has suddenly been "postponed." The sources say the U.S. Bishops had already begun to receive substantial political flack for the letter.

NATO ambassador backs Nunn plan

U.S. Ambassador to NATO David Abshire applauded the "Nunn Amendment" for having successfully pushed NATO's European members into a "much needed increase" in their conventional defense spending. The amendment, authored by Sen. Sam Nunn (D-Ga.), calls for the withdrawal of U.S.

troops from Western Europe.

Abshire, who made his comments at a Georgetown University event honoring NATO General Secretary Lord Peter Carington, co-founded the Grand Strategy Forum with Henry Kissinger. The Forum is now headed by Nunn.

Tipsy gets chance to replenish Vodka stock

House Majority Leader Tip O'Neill (D-Mass.) is leading a delegation of U.S. congressmen to Moscow in mid-April. O'Neill's visit will be an "exchange" trip for the mid-March visit to the United States by Soviet Politburo member Vladimir Shcherbitskii and 30 other Soviet officials.

Staffers in O'Neill's office claim they "don't know yet" exactly when he'll be leaving, and plead ignorance of his itinerary. Washington insiders speculate that a special vodka taste-testing party has been planned.

Kissinger sees little hope in Mideast

At a New York dinner honoring *Holocaust* author Elie Wiesel on April 2, former Secretary of State Henry Kissinger said the chances of peace in the Middle East are small and that Israelis must withstand pressure to settle for an inadequate peace agreement.

"There cannot be a strong Israel without a strong United States," he said. "Peace must have a content and it is not just a process."

More than 1,300 people, including at least 40 survivors of the Holocaust, crowded a Waldorf-Astoria ballroom to hear his remarks. Kissinger called on the citizens of both countries—particularly "Jews, Jewish intellectuals, and some Jewish leaders"—to stop dwelling on minor problems for fear of diluting national self-confidence.

"It is a fundamental necessity to protect the faith," he said. "What worries one most are not the practical problems—economic, political, and even security," Kissinger said. "What worries one is the possibility that this

self-confidence and faith may be weakened by incidents and recent history."

But, he said, "a people that has survived thousands of years, a state that has survived decades, cannot fail if it remains true to itself." "Israel must wait to be recognized," he said, adding that "20 centuries of solitude has taught her to wait."

Buckley calls for drug legalization

Columnist William F. Buckley, Jr. gave his most explicit endorsement yet to legalizing dangerous drugs, in a nationally syndicated column published the first week of April. Appearing under such headlines as "Time to Legalize Dope" and "Legalize Dope," acknowledged pot-smoker Buckley presented classical British "free-trade" arguments to defend the dope pushers.

Noting the enormous amount of drug use in the United States and the difficulties in cracking down on the dope trade, Buckley wrote that the drug problem would not exist except for the extensive "market" and the high price. Exactly the same "argument" was used by British East India Company officials in the 19th century to justify opium trafficking in India and China.

"The one thing that could be done, overnight," to deal with this problem, he asserted, "is to legalize the stuff."

"It is hardly a novel suggestion to legalize dope," he continued. "Shrewd observers of the scene have recommended it for years. I am on record as having opposed it in the matter of heroin. The accumulated evidence draws me away from my own opposition, on the purely empirical grounds that what we have now is a drug problem plus a crime problem plus a problem of a huge export of capital to the dope-producing countries."

The "dramatic alternative" to be considered by Congress, Buckley asserted, is "legalization."

He concluded: "Ours is a free society in which oodles of people kill themselves with tobacco and booze. Some will do it with coke and heroin. But we should count in the lives saved by having the deadly stuff available at the same price as rat poison."

Briefly

● **HENRY KISSINGER** should be a prime choice for appointment by the Reagan administration as a special mediator in the Middle East, Jimmy Carter said on April 2. Carter made his statements during a breakfast meeting with reporters in Washington.

● **COLUMBUS RADIO** stations have been giving extensive coverage to former congressional candidate Don Scott's pledge to clean the drug-trafficking elements out of the state Democratic Party. Scott gave a press conference on April 2 in Columbus on Gov. Celeste's close relationship with drug-banker Marvin Warner, responsible for the state's savings-and-loan crisis last month.

● **A FEDERAL JUDGE** in Boston has imposed fines totalling \$40,000 a day against four organizations associated with former presidential candidate Lyndon H. LaRouche, *EIR*'s founder, despite the fact that the organizations being penalized have never been legally served with any legal papers nor notified about the court proceedings. William Weld, U.S. Attorney for Massachusetts, who covered up for Bank of Boston money-laundering linked to his own family's White Weld firm, requested the fines.

● **NUTRITION** is not what it once was in America. Based on approximately 2,000 responses to the "Poverty in America" census being conducted by the Schiller Institute, nearly 25% of respondees who reported that they *do* have an adequate diet also reported that they do not eat meat daily.

● **TRADE WAR** and how to best conduct it against Japan is the subject of a report now being prepared for Sen. Charles Danforth (D-Mo.), the dogfood magnate, by the "conservative" American Enterprise Institute. The report, by AEI's senior economists, will focus on the "advantages" of levying import surcharges on Japanese goods.

Editorial

Shades of the Malvinas

It's one thing for Maggie Thatcher, at the behest of the Queen, to stab her friend Ronald Reagan in the back on the question of the Strategic Defense Initiative. It's quite another for the same kind of betrayal to be carried out by the British Lord who nominally heads the Western alliance.

Yet that is precisely what happened when Peter Lord Carrington arrived in Washington, D.C. the first week of April to have his regular consultations with President Reagan, Defense Secretary Caspar Weinberger, and Secretary of State George Shultz.

Carrington told the President that NATO should take a "wait and see" attitude toward what happens with the U.S. research program on the SDI. "It's not going to be difficult to maintain allied unity on the *research* program," the NATO secretary-general said. "Before any deployment takes place there will be consultations within the alliance and probably with the Soviet Union. . . . It would be wise to see what the research will bring before you say whether you like it or not."

These words will warm the hearts of the marshals in the Kremlin. It is just the kind of disunity which they want to see, as they move to split Europe from the United States through a diplomatic offensive that has mobilized every Soviet asset in the West, from German Foreign Minister Genscher to London's International Institute for Strategic Studies.

Carrington's sabotage of a unified Western policy for Mutually Assured Survival is only the crowning act of a long-term perspective on the part of the British oligarchy, which thinks it has a deal with the Soviets. From the time of his inauguration, this business partner of Henry Kissinger has done his best to destabilize Western Europe. Such a consistent policy line can be observed, in particular, with the way Lord Carrington greased the skids to send Greece into the arms of the Soviets (as we document in *International*), but also in the realm of international terrorism. While every sane politician and intelligence expert has been pointing the finger at Moscow's involvement in the terror wave which began to sweep Europe in December, Carrington took the occasion of the assassination attempt against Judge

Palermo of Italy in the first week of April to declare that he was firmly convinced that Moscow had nothing to do with terrorism.

Such a betrayal of Western interests brings to mind another betrayal carried out by Lord Carrington, the Malvinas war against Argentina.

It was almost three years ago to the day that Great Britain instigated its neo-colonialist war against the nation of Argentina. Such an action, carried out against a government then closely allied with the United States, was intended to launch a new phase of imperialism in the hemisphere, featuring the seizure of territory as well as other assets.

Many reasons have been bandied about as to why the British would have wanted to fight a costly war on behalf of a few godforsaken islands in the freezing South Atlantic. Certainly, strategic reasons can be found, not the least of which is the desire to teach what the British consider "uppity" Third World nations a lesson. But the most fundamental reason for the Malvinas war had nothing to do with British interests in themselves; the British were determined to create an incident to turn the United States against its own constitutional commitment to protect the Western Hemisphere from external aggression, and in particular, to create a state of war between the United States and Ibero-America.

In this aim, the British were successful beyond their wildest dreams. Not only did they receive the public support of the United States, but they even got the United States to pledge its nuclear support for Britain's war of aggression. To this day, U.S. backing for British aggression rankles the Ibero-Americans more than the British aggression itself! As one knowledgeable Ibero-American put it, what the Left could not do to build support for the Soviets in 20 years, the Malvinas war did overnight.

Now, Carrington is at it again. We suggest the President tell the bloody Lord that if he keeps it up, the United States will give the Malvinas back to Argentina immediately. It's what we should have done a long time ago.

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