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German growth means no recession for Europe
The Mexican Republic vs. the Brandt Commission
A new calculation of agricultural parity

**India's Indira Gandhi talks to EIR
on peace and development**



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EIR

From the Editor

This week our special report was wired in from New Delhi where *EIR* editor-in-chief Daniel Sneider is on tour with Dr. Uwe Parpart, director of research for the Fusion Energy Foundation. The India tour followed an *EIR*-FEF sponsored conference on Indian development in Frankfurt, West Germany, and was aimed at presenting our report on the *Industrialization of India, From Backwardness to Industrial Power in Forty Years* to Indian scientific and political layers. The tour has been a resounding success and the LaRouche-Riemann model of analysis which was the basis for the India development report is now being studied for application by important circles in that developing nation.

The centerpiece of our special report is an exclusive interview with India's prime minister Indira Gandhi. Mr. Sneider spoke to the Prime Minister at length on June 5 when Mrs. Gandhi charged that "large funds" have been flowing from outside into the Indian state of Assam to back antigovernment agitation there. Mrs. Gandhi spoke at length on the history of the Assam problem and the apparently deliberate character of the destabilization of the northeast region now taking place. The Prime Minister herself, noting that the problems of that backward region are not "new", asked "Why has this movement come up when it did?"

Mrs. Gandhi also discusses with *EIR* the danger of war and the role of economic development in securing peace.

We follow up the interview with an article from the influential Indian weekly *New Wave* by Leela Narayan on the tour of Dr. Parpart along with excerpts from a number of Indian dailies reporting on the Parpart presentations.

The introduction to the package was written by *EIR* Asia specialist Peter Ennis.



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Giscard d'Estaing will propose a
far-reaching plan to reorganize
the world monetary system and
recycle OPEC's petrodollars.
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Special Report



Indira Gandhi addresses an election rally in December 1979. Photo NSIPS/Zykofsky

28 Indira Gandhi talks to EIR on peace and development

In an exclusive June 5 interview with Editor-in-Chief Daniel Sneider, the Indian prime minister describes her nation's battle against destabilization, and for economic development and world peace.

Parpart tours India: 'Science is universal'

Dr. Uwe Parpart, research director for the Fusion Energy Foundation, is touring India, and his development proposals have made headlines throughout the subcontinent. A special report from New Delhi.

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Between the principles on which the republic of Mexico was built, and those of the Brandt Commission's supporters, there is an unbridgeable gulf. But one of the Brandt Commission's supporters is Mexico's own foreign minister.

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The only character remaining to the Likud coalition is that of terrorists.

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Four men who did not subscribe to

EIR

Executive Intelligence Review

and missed out on what EIR readers knew—

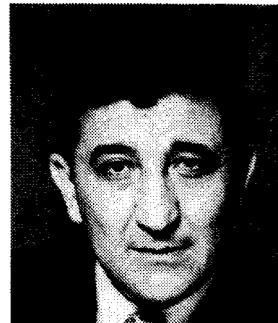
- **Volcker's October credit policy** would lift inflation to 20% and push major banks toward the brink of bankruptcy.
- **Volcker's policy** would also strangle the industrial sector, starting with auto and steel.

Each week, over 200 experts work in 40 cities of the world to monitor developments 24 hours a day. They have been doing so for the last 10 years—producing the only accurate and unchallenged record of every major international issue. PLUS only the **EIR** features economic analysis using the groundbreaking Riemannian economic model developed by Lyndon LaRouche, the foremost economist of the century.

The **EIR** staff is now available to do the specialized intelligence your business demands. If you are interested, call for a discussion with an expert in your field.



Lee Iacocca, *Chairman of the near-bankrupt Chrysler Corporation*



Robert Abboud, *ousted Chairman of the First National Bank of Chicago*



Frank Fitzsimmons, *beleaguered President of the Teamsters union*



Robert Dole, *unsuccessful Republican candidate for President*

- **the deregulation of trucking** would be rammed through the Senate— its passage will cost the U.S. economy more than the Vietnam war, not to mention thousands of Teamster jobs.
- **the Trilateral Commission** would rig the Presidential primary process to eliminate any candidates it couldn't control.

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Can we avoid strategic disaster?

Last week a series of false alarms from the U.S. defense network's computer system indicating that the Soviet Union had launched nuclear missiles against the United States brought us once again to the brink of nuclear disaster by miscalculation. While the Soviets warned that such "mistakes" could lead to World War III, Capitol Hill is abuzz with rumors that the errors were in fact deliberate and consistent with the provocative U.S. military posture based on "calculated insanity."

Senator John Tower, the Republican minority leader of the Senate Armed Services Committee, called on his colleagues to investigate. American strategic bomber crews were placed on alert, silo-based missiles were brought closer to the stage of firing, and ballistic missile submarines at sea were on the alert!

Investigation of the Iran rescue mission debacle by the same committee revealed "major errors" were made in the planning and execution.

These scandals come as an increasing number of traditionalist military men are publicly expressing alarm over the erosion of U.S. military capability, from a severe lack of military R and D, to the drugged-out all-volunteer army, and the state of breakdown of military equipment. However, it was the *Executive Intelligence Review* in collaboration with the Fusion Energy Foundation that first drew attention four years ago to the devastating facts concerning the collapse of U.S. military capabilities and the contrasting Soviet advances.

Soviet commitments to large increases in military-related experimentation and personnel development in the most advanced fields of military-related technology has yielded crucial breakthroughs in beam-weaponry—a development that changes the geometry of strategic warfare.

But even though the U.S. is incapable of fighting a war against the Soviet scientific superpower, the provocations of the Brzezinski insanity doctrine have increased. War by miscalculation, strategic

disaster, and threatened humiliation must be the subject of national debate. When General David Jones, chairman of the Joint Chiefs of Staff argued on June 9 that the NORAD computer errors had served a useful function, because they showed the U.S.S.R. that the U.S. was prepared to take military action if required, the wretched bluff was caught by many who are now set on knocking the General out of his position and President Carter out of the Democratic candidacy.

But now the essential question which must be answered is what it will take to cool out the current bent toward war and at the same time recreate a healthy well prepared military.

EIR founder and contributing editor Lyndon H. LaRouche has gained a growing policy influence over the past four years in European capitals by advising that only a crash program in nuclear fusion development can deal with the problem of the woeful inadequacy of U.S. military capability.

Executive Intelligence Review will sponsor a conference, "Can the U.S. Avoid Strategic Disaster?" on Wednesday afternoon, June 25 at the Hotel Washington in Washington, D.C. Dr. Stephen J. Bardwell, director of plasma physics for the Fusion Energy Foundation and author of "Sputnik of the 80's," an outline of Soviet advances in beam weaponry, will give a comparative analysis of U.S./U.S.S.R. warfighting capabilities. Dr. Bardwell, who has toured Soviet plasma physics research facilities, will demonstrate with the help of advanced computerized modeling techniques, the source of the current disparity in U.S./U.S.S.R. warfighting capabilities.

Costas Kalimtgis, consultant on strategic affairs for the *EIR*, will outline why the SALT process cannot avoid war. He will propose a concrete plan for global war avoidance through a U.S.-led, capital-intensive development program in the Third World, combined with international scientific collaboration in space and energy development.

Gold is back on the international agenda

by Richard Freeman

French Treasury director Jean-Yves Haberer, president of the European Community's Monetary Committee, stunned a meeting of French national financial counselors June 4 by telling them that gold will recirculate in a large way between central banks. No one listening needed to be told what this would mean: eventually—and quite probably quite soon—gold will return to its pre-eminent role in the world monetary system.

Haberer's remarks were delivered in an atmosphere of bullion's upward movement. From a level of \$501 per troy ounce May 22, gold rose to \$624 per troy ounce by June 9, or an increase of nearly 25 percent in three weeks, before settling back a little.

The reason for this increase is, as Haberer's statement indicates, political prearrangements to bring gold back as a monetary standard of value. Until 10 days ago, most gold market trading was light, indicating not volume panic hedge buying in response to the eruption of international hot spots, but the steady activity of insiders who know that something far bigger is in the wind.

The move toward stability

The context for Mr. Haberer's speech is the upcoming summit of the heads of the leading seven Western nations—the United States, Germany, France, Great Britain, Japan, Italy and Canada—to discuss economic and military matters in Venice June 22-23.

It has been widely reported since the turn of the year that French President Valéry Giscard d'Estaing has been so thoroughly dissatisfied with the inflation and econom-

ic malfunctions associated with current International Monetary Fund-based arrangements that he had worked out a plan to launch gold into the monetary system which he will present at Venice.

Haberer, whose current European Community position places him in charge of overseeing the pace of implementation of the EMS, addressed this subject in his June 4 address, which was entitled "The European Monetary System: An International Monetary System." He told the gathering of French financial counselors that the principles inspiring the EMS are "subversive—but in a positive sense." The subversiveness of the EMS resides precisely in the ability of that system's gold-backed "European Currency Unit" to serve as the means of putting gold into circulation between central banks. This of course would make gold more than simply a static reserve asset, locked away in central bank vaults.

Taking aim at the International Monetary Fund and its Special Drawing Rights, Haberer asserted that "the ECU will be able to threaten the credibility of the SDR." The EMS will set the priority of "monetary stability" in a world beleaguered by a "non-system."

Haberer added that the second phase of the European Monetary System—the creation of the European Monetary Fund—may have to be delayed because of the world economy. Other alternatives are cropping up.

Recycling OPEC dollars

Haberer's speech was described by one member of the audience as "aggressive and on the offensive." Its

emphasis on the role of the gold-backed ECU was not a matter of personal discretion, but a policy option that has emerged on the highest level, involving the support of Giscard, West German Chancellor Helmut Schmidt and European business leaders. The idea behind the the ECU is to couple it to financing terms enabling the Third World to import Western capital goods.

The fundamental element involved in this conception is to recycle to the LDCs the petrodollars from the Arab oil states deposited in official European Community financial institutions as well as the French and German private banking systems. The ECU would be a denominating instrument for this relending.

At a June 9 meeting of European Community finance ministers in Luxembourg, French Finance Minister René Monory said that "the world is in a major financial-economic crisis" requiring a "new institution to recycle petrodollars." The old arrangement of the IMF can be partially used for recycling, Monory stated, but in order to do this, the IMF will have to soften its conditionalities, which often involve severe austerity.

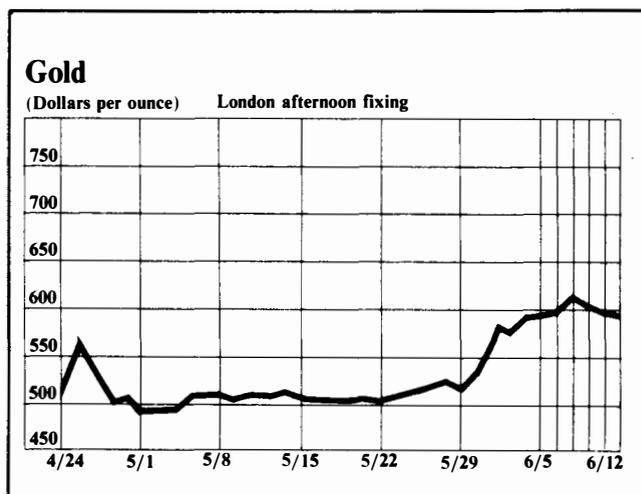
Aside from the IMF, Monory suggested that Europe can recycle its petrodollars through the European Investment Bank (EIB). The EIB, previously controlled by the British, has recently come under the influence of a "German faction." Monory specifically proposed that the bank, which makes on average \$2.5 billion in loans per year mostly inside the Community, issue gold-backed ECU assets to the Arab Gulf states geared to "more technology in rural areas of the Third World," and other development efforts such as "harnessing African rivers for irrigation."

Reliable reports from Bonn indicate that Chancellor Schmidt convened a secret June 1-2 meeting of top scientific and financial experts, excluding by and large members of Count Otto von Lambsdorff's economics ministry. The word is that Schmidt stressed at the meeting two proposals he will make at the Venice Summit: first, a petrodollar recycling plan, and second, a plan for the full-fuel nuclear energy cycle.

The Soviet gold angle

With the Europeans and the heavy-gold purchasers of the Arab Gulf states discussing gold arrangements, the Soviet Union, a third important player in the world gold game, entered the picture this past week.

This was telegraphed in the June 7 *New York Times* report that the Soviet Union may have sold 200 tons of gold off-market to Saudi Arabia at \$600 per ounce. The June 9 London *Daily Telegraph* reported that part of the Soviet gold may be paid for with Arab oil, and predicted that the price of the metal will hit \$930 during some point in 1980.



Strategic analysts have not lost sight of the fact that the alignment of players involved in the gold market—France, Germany, the Arab Gulf nations, the Soviet Union—has important political significance. A Middle East peace initiative involving the creation of a Palestinian state is something all the above nations are known to support in varying degrees. Rumors have it that such an initiative might be "cemented in gold."

The emergence of this gold initiative is at the moment a threatening one to the London-Amsterdam-Wall Street axis of finance. A characteristic response came June 9 from Dr. Jelle Zijlstra, president of the Bank for International Settlements, as well as the president of Netherlands central bank, on the occasion of a BIS meeting in Basel, Switzerland. The June 10 *New York Journal of Commerce* reports that "In private conversations, Dr. Zijlstra made it very clear that he rejects the idea, recently circulated in European Community headquarters, that the OPEC countries be allowed to receive European Currency Units to supplement their reserves. He insisted that the ECUs are "nothing but swap instruments at this stage." This BIS meeting was otherwise noteworthy for its calls for harsh austerity.

However, some opponents of Giscard have recognized that a gold option and what it implies may be a necessary pill to swallow.

A senior Swiss Bank Corporation monetary expert told *EIR* June 10 that he thinks Giscard will call for a "gold-dollar standard" requiring all central banks to hold both instruments, and will quite possibly also propose a plan for offering OPEC gold-backed bonds. The expert's own preference—like that of the London Rothschilds—is, he said, for continuing the status quo, whereby central banks continue to treat gold as an important reserve asset but neither sell it nor fix its price. Clearly, the real question is the expanded long-term international lending a new gold standard might, or might not, entail.

The Brazilian debt crisis

EIR's Mark Sonnenblick examines a looming threat to world banking.

Repeated warnings about “the danger of Brazil defaulting on its \$55 billion debt and blowing out the Eurodollar market” are being echoed throughout Anglo-American monetary circles.

As a result of such well-publicized fears, Brazil has been practically closed out of the Eurodollar market so far this year. The few public loan syndications which have been attempted have been completed only with the greatest difficulty. And Brazil must borrow another \$10-14 billion during the remainder of this year or the “default” scenario could become a self-fulfilling prophesy.

The chorus is being conducted through press organs such as *The Economist* and the *Wall Street Journal*, both of which quite suddenly shifted gears on Brazil from boundless optimism to panicked pessimism. *The Economist* begins its May 17 survey by intoning: “Brazil, long the biggest and brightest developing star in Latin America, may be about to explode into a supernova.” It ends with: “The international banking system should start girding its loins for the possibility that it may never again see some of the money it has splashed out to Brazil.”

The Economist, the *Journal of Commerce*, most U.S. commercial bankers and the U.S. Treasury are insisting that Brazil must go to the International Monetary Fund and receive its “shock” medicine before being able to gain needed debt relief. In fact, a semi-secret conclave on Brazil was held May 20-21 at the New York Council on Foreign Relations to try to push Brazil in that direction.

But Brazilian authorities, headed by Planning Minister Delfim Netto, think differently. They regard the IMF as irrelevant in terms of the volume of funds it could supply, and downright destructive of Brazil's political stability if its conditionalities are implemented. This was explained by Professor Riordan Roett, the chairman of the CFR gathering and one of America's best known Brazilianists, in the following terms: “They *have* to go to the IMF. That's what I've been telling them, but Delfim [Netto] doesn't want to face reality. He's scared shitless of the political explosion which would come from that. He just *won't* do it.”

Many observers of the Brazilian scene are also questioning the logic of going to the IMF. One New England banker interviewed by *EIR* moaned: “I don't want Brazil

to go to the Fund. I see not the slightest reason for it.” Indeed, even the people putting the most pressure on Delfim to go to the IMF admit that he is “skillfully” applying the same Friedmanite monetarist nostrums to Brazil that the IMF demands, as fast as the body politic of that country can tolerate them.

The question demanding an answer is why Brazil, which has yielded wondrous profits to foreign investors since the 1964 coup, and Delfim Netto, known as “the architect of the Brazilian Economic Miracle” for his coordinating the 1968-73 period of rapid growth, is now being so savagely attacked by their former friends?

Pushing the Brandt Commission

The answers lie well outside Brazil's borders.

Threatening the world with a blowout of Brazil's \$55 billion in debt is a strong card in the hand of the CFR's policy planners who are seeking to reorganize the world financial system along the lines prescribed by the Brandt Commission report. The Brandt report called for “reforming” the IMF by recycling Arab petrodollars into the repayment of LDC debt. By publicizing the danger of a Brazilian blow-out, the CFR crowd is saying: if you don't go along with our plans, the whole thing goes up in smoke. This was made almost explicit by the May 30 London-based *Latin America Regional Reports*: “Brazilian ministers are pressing for structural changes in international financial markets. . . . Brazil is likely to embrace with fervour this new role as ‘champion of the oppressed.’ . . . It is clearly in Brazil's interest to mobilize a lobby of developing nations to call for radical changes. And it is the increasing reluctance of commercial banks . . . to increase their exposure in such heavily indebted countries as Brazil, which will bring about the formation of this lobby.”

Syndicated columnist Hobart Rowen was even more to the point. If the U.S. refuses to embrace the Brandt reforms at the Venice economic summit, Rowen wrote recently, the world will face an “economic time bomb in Brazil,” whose detonation “could set off shock waves transforming a global recession into a global depression.”

Rowan was equally blunt on the IMF question: "application of the IMF's well-known rules imposing strict conditions for its loans . . . could stir a series of social revolutions in the Third World."

The CFR crowd is hardly unaware that driving Brazil into the arms of the IMF will result in just such social convulsions. The fact of the matter is that this is a deliberate *goal* of the CFR policy—to destabilize or "Iranize" Brazil in much the same way as South Korea and Mexico have been targeted. As in these last two countries, the CFR's main "assets" in Brazil are the Jesuits, and the "Theology of Liberation" radicals within the Catholic church. Possibly the best known of these is the São Paulo metalworkers trade union leader "Lula," who receives his directives in public from his intimate friend and confessor, Frei Betto.

A fully "Iranized" Brazil, in the thinking of the CFR, would pose no risk of engaging in independent industrial development, and would be the best lobbyist for the Brandt Commission's low-growth reorganization of the world economy.

The Brazilian economy is, indeed, a mess, thanks to unpaid bills from the 1967-73 "Economic Miracle" and the reluctance of foreign creditors to fund the kind of industrial development needed to get the country out of the hole. Having to spend \$12 billion this year importing oil contributes to, but does not cause, the crisis.

The external constraints are serious. Brazil has to raise \$13-14 billion in new loans this year, just to pay off its debt service. It is heading for a \$2 billion trade deficit and another \$2 billion on non-interest services. This adds up to close to \$20 billion in foreign capital requirements when even the most minimal financing of on-going projects is included. Up to the end of April, Brazil had raised only \$4 billion and had spent most of the liquid part of its foreign reserves.

When given the Planning Ministry in September of last year, Delfim Netto announced Brazil would "grow its way out of the crisis." He explained that growth was necessary to provide jobs for Brazilians and to provide the materials for an extraordinary surge in exports. Delfim promised that by increasing exports from \$15 billion last year to \$20 billion this year and \$40 billion in 1984, Brazil would clear the crisis.

Delfim has made the \$20 billion figure a question of national and personal honor, and he will achieve it even if he has to export so much coffee and soy that Brazil will have to import its internal needs of such commodities after January 1. At this time, with a 35 percent increase in exports in the first four months, it looks like he will make it. However, imports increased by 51 percent. Any savage slashing of imports, such as a rumored 40 percent cut in oil imports, would close down the industrial economy, provoke riots, and impede Brazil's ability to generate exports.

The economic liberalization policies decreed by Delfim Dec. 7 included a 30 percent "maxi" devaluation and the elimination of many subsidies. While substantially reducing the government budget deficit, these measures have contributed to catapulting inflation to 94.6 percent in the last 12 months. This is more than double the inflation rates of the 1974-76 period. The export orientation and the wasting of billions of dollars on ersatz energy substitutes, such as alcohol from sugar cane, firewood, and high-ash coal, have also contributed to the record inflation.

The Brazil hands talk about the Brazil problem

Dr. Riordan Roett's Center of Brazilian Studies at Johns Hopkins University is financed by Brazilian businesses, as well as American foundations. He is a coordinator of an ongoing panel on U.S.-Brazilian relations mandated by the New York Council on Foreign Relations and ran the two-day emergency brainstorming session on Brazil at the CFR May 20-21. The following are excerpts from an interview with Dr. Roett:

Q: What do you think of the Brazilian debt situation?

A: They *have* to go to the Fund. That's what I've been telling them, but Delfim [Netto, Planning Minister] doesn't want to face reality. He's scared shitless of the political explosion which would come from that. He just won't do it.

Q: Is the IMF's role to break the state sector?

A: Delfim's doing a damn good job at that. . . . But Brazil needs *shock*; gradualism is no good. Delfim has got this thing about continuing growth. He doesn't want more unemployment. But what's he got? He's got a big balance of trade deficit. . . .

He has got to get dollars. He's got a \$55 billion debt he can't service. . . . You know his subordinates are under sharp attack. The idea is to tumble him. . . . How, you understand the reason for *The Economist* article?

. . . I was in Europe two weeks ago with the people in Deutschebank and in London. They were *very* worried about Brazil defaulting and that having a domino effect on all the LDC's Euromarket debt. They were afraid it would cause tremendous international economic dislocation.

The American banks are also afraid. They are clenching, refusing to loan. The U.S. government must give Brazil *priority*. It must pull together a big loan package from public funds and arm-twist the banks and corpora-

tions to give Brazil the funds to get it through the year. Our national interest requires it, but it's highly unlikely because of the elections. No leadership. No one in Washington will do anything for Brazil.

Q: I've been thinking about what IMF conditionalities would cause in Brazil, and it's quite frightening.

A: It is *really* scary, but they have to go. . . . No one knows what will happen. Brazil is a different country now from 1964, much more complex. Politically, *now* is the best time. The opposition is totally disorganized. Golbery [the regime's chief strategist, General Golbery do Couto e Silva] has done really well with his political reform. The only problem is São Paulo. It could blow sky high.

. . . The military will go along. They're already restless about this political opening. And to enforce an IMF agreement will require a political closing. There will just have to be a return to repression. It's going to be horrible. But it can't be allowed to last long. In the long term, a repressive regime is very bad for United States interests, not just in the ideological sense, but because they become too independent. They could go off in some other direction.

Q: What kind of reactions are you getting from Brazilians on the IMF?

A: Brazilians are eternal optimists. That's a problem. They have a big country and they don't know a damn thing about what's going on in the outside world. I'm going to Brasilia in a few weeks to set them straight.

The Brazilian businessmen at the meeting I had this week at the CFR just started to wake up and get the point.

Following are excerpts from an interview with the vice-president of a major New England bank.

Q: The word is out all over the place that Brazil has to go to the Fund because the second-tier banks won't loan anything without the Fund's stamp of approval.

A: I don't want to see Brazil go to the Fund! I see not the slightest reason for it.

It's really hard for banks to loan to Brazil, even if we want to. The banks are under the gun from the Controller of the Currency to hold down lending. He highlights any country loans over 25 per cent of capital. By highlighting these loans, he's telling them, 'Don't lend any more!'

Also, bankers around the country are reading all those stories about strikes, about the *abertura* [political openings] and they are looking at what happened to Iran, and now all the trouble in South Korea, Liberia, and some countries in Central America. Jesus, it's a tough environment for a bank manager!

Q: What would the Fund want from Brazil?

A: The Fund would attack the rate of growth of the

Brazilian economy. For the last several years, the sine qua non of Brazilian policies has been that 5 or 6 percent annual growth is needed to provide employment for the million and a half people entering the job market. To do so, they need imports, a certain amount of inflation and increased debt. That point is being attacked by the Fund.

I've been doing some hard thinking about Brazil going to the Fund: Can you put it on the same plate with the *abertura*? No. It would mean fundamental changes in the Brazilian system. They would probably push a free market on Brazil similar to Argentina and Chile, maybe freeing up imports, reducing protectionism.

Q: How do you think Brazil is going to get the funding it needs?

A: Obviously the Japs are dead in the water. That knocks out what's been a big source.

The medium sized [American] banks are out of the market. The large banks are not only out of the market, but have run down their exposures. United Virginia looks at the big banks pulling out and says, 'Why should I help Citibank or Chase?'

But they can't pull out of the LDC's. They have too much invested there. With all those years of Citibank boasting about their LDC profits, they tooted their own vulnerability. You can see what people think of their new plans by looking at the price/earnings ratio on their stock.

The following is excerpted from an interview with Brian Zipp, U.S. Treasury Brazil Desk Officer:

Q: Will the U.S. bail out Brazil?

A: The United States has no global responsibility to bail out everybody who gets themselves into problems. The commercial banks are in there and so are other countries . . . official rescheduling is not under consideration.

Q: What would the IMF want Delfim to do?

A: . . . The Fund's stamp of approval means something to bankers only when it has teeth in it. There is no way to achieve austerity and the kinds of changes the banks require while at the same time improving the social indicators. There has to be a trade-off. . .

. . . We have the same kinds of troubles as Brazil, like high prices of imported oil. When you're in that kind of situation, you have to bite the bullet sometime.

. . . Brazil traditionally does not like going to the Fund. It creates too many political problems. I hope they can do it on their own. They have to decide.

Q: Why should Brazil go to the IMF if Delfim seems to be doing the kind of policies it would recommend?

A: Delfim is doing a good job. He's moving in our direction, towards our own policies. He's on the road. He's doing many of the things the Fund would have him do; let's hope he keeps doing it.

West German growth means no recession for Europe

David Goldman on what the LaRouche-Riemann model has disclosed: startling economic health across the Atlantic.

West Germany's economic strength, despite economic catastrophe conditions in the United States, has bewildered American and British observers, and scared some of them more than a little. It is now apparent to all but the economists of the Chase Manhattan Bank and the editors of the *Wall Street Journal*—both of whom recently predicted economic downturn in West Germany—that there will be no recession in West Germany, nor, by implication, in continental Western Europe.

We present herewith a sampling from a recent in-depth study of the West German economy conducted by *EIR*'s econometric service, which should settle the question for the time being. *EIR*'s study shows that West German economic policy, by favoring high rates of capital formation particularly in export-related, heavy-goods industries, has developed sufficient impetus to make the German economy almost impervious to higher oil prices. That is an extraordinary conclusion, considering that Germany is twice as dependent on energy imports as the United States. Its strategic implication, particularly in the context of the West German-Soviet trade commission meeting in Bonn at the beginning of June, are equally extraordinary.

Data for the computer analysis of West Germany were prepared by Ralf Schauerhammer of the Fusion Energy Foundation's West German office, Mark Tritsch and Laurent Murawiec of EIR's Wiesbaden bureau, and Alice Roth. Simulations were conducted by David Goldman and Ralf Schauerhammer.

In an April survey of the American economy, *EIR* demonstrated that the principal cause of inflation and low productivity growth in the American economy was *not* higher oil prices, but the Administration's energy conservation policy.

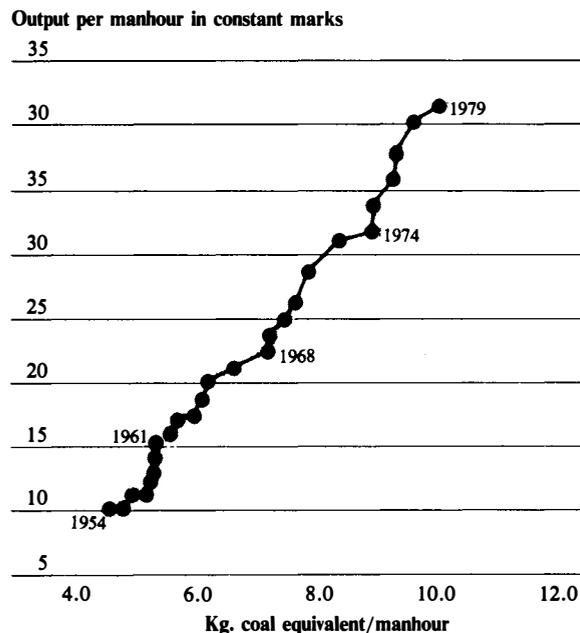
Mirror image?

The case of West Germany provides an instructive, almost mirror-image comparison; the West Germans have done everything the opposite way, and succeeded. Instead of enjoining industry and consumers merely to conserve energy—the Germans did place speed limits on the *Autobahnen* and took other trivial conservation measures—the Schmidt government opted for greater energy-intensity at a higher level of energy efficiency. That requires some explanation.

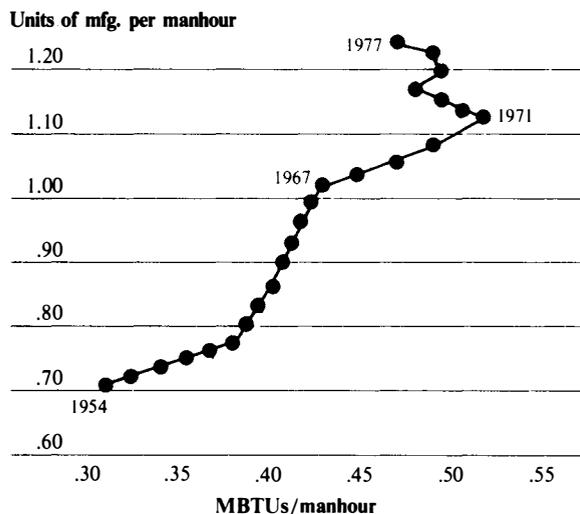
Industrial economies, as Lyndon LaRouche, the designer of the LaRouche-Riemann computer model employed in this study has emphasized, can be measured by four physical parameters. An industrial economy or combination of economies must be studied as a trajectory through a five-dimensional phase space incorporating these four parameters plus at least one measure of time (more than one time scale is possible). Economic "health" is defined by a condition where economic surplus (tangible output above and beyond maintenance) is rising; the rate of reinvestible tangible surplus is rising; and the rate of energy throughput is rising at higher levels of energy flux-density, a measure of energy efficiency.

German steel in comparison with American steel is a

Nominal West German energy efficiencies



Nominal U.S. energy efficiencies



These two graphs plot productivity, measured in terms of output per manhour, against energy consumed per manhour in the manufacturing process. For West Germany, the trajectory shows a sharp rise undisturbed by oil prices. For the United States, the reversal of energy consumption per manhour has been lauded as a success, since output continued to rise. The actual character of energy efficiency and productivity shows up in the growth of the West German economy and the rapid decline in the United States, showing the dangers of substituting labor for energy and capital.

case in point. We recently saw the American steel industry fall to capacity utilization rates of about 60 percent in a space of eight weeks, along with sudden and widespread permanent shutdowns of capacity. American steelmaking uses slightly less than twice as much energy per ton of raw steel as either German or Japanese, i.e., it is twice as energy-intensive, but only half as energy efficient. During the past 15 years, German steelmakers steadily improved their capacity to achieve superior productivity and energy efficiency while American steelmakers—who did not invest even when there were no environmental regulations and high interest rates to hamper them—did little to improve capacity, but shut down the worst of what they had.

Yet when we look at the figures on total energy consumption, it is evident that for West German manufacturing it rose steadily through the 1970s, while American energy consumption fell, both per unit of output and per hour worked. That is to say, in the West German economy, the rate of investment increased in the most energy-intensive sectors, such that total energy-intensity rose, even while those sectors became more energy-efficient. In the United States economy, investment shifted from energy- and capital-intensive sectors to labor-intensive sectors, such that total energy-intensity fell, even though industrial processes themselves did *not* become more energy-efficient.

As Harvard economists Hudson and Jorgenson point out, the American economy substituted labor for capital and energy, unlike West Germany. It is highly significant that the West German rate of increase of manufacturing productivity is much higher than the American (5.2 percent versus 1.4 percent in 1979) but even more significant when we look at the content of that productivity.

Productivity and investment

The LaRouche-Riemann model utilizes a definition of productivity superior to the output-per-manhour definition employed by the U.S. government. Our measure is the increment of labor required to produce an additional increment of surplus. Under optimal conditions, the two measures will move in tandem. In fact, that is the case for the West German economy. However, in the United States, the output-per-manhour numbers show a slow rise between 1976 and 1979, while the LaRouche-Riemann model calculates an average 3 percent annual *decline* in productivity. That discrepancy in the American economy between the two productivity measures, and the lack of discrepancy in the German economy, tell us a great deal about the way both economies work.

The LaRouche-Riemann measure “factors out” gains in output per manhour that contribute nothing to the global productivity of an economy. The manufacture

of antipollution devices may show spectacular gains in productivity on an output-per-manhour basis, but the installation of these devices will contribute nothing to the next year's output. The same is true for investments in auto manufacture geared solely to down-sizing cars, or similar investments in the most short-sighted, dubious sort of "energy conservation." When we factor in investments that lower the rate of productivity of the economy as a whole, such as synthetic fuel plants, which take more capital goods to produce energy than is currently required, we reduce productivity in the LaRouche-Riemann measurement.

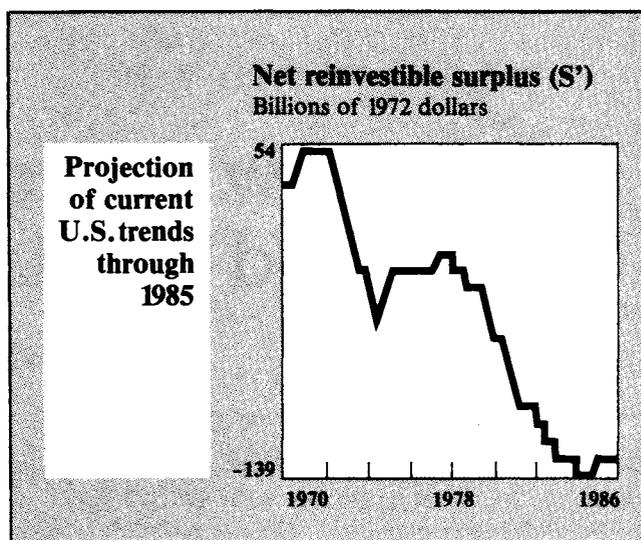
Therefore, the 3 percent annual drop in productivity during the late sixties is a good quantification—measured against the supposed improvement of the productivity rate—of the shift towards non-productive investment. In an economy already suffering from chronic underinvestment, that could produce a fatal sort of anemia. *EIR* reviewed the prospect of U.S. economic death in its May survey, and we include a graph from the computer output of that survey for purposes of contrast in this report.

The fact that the two productivity measurements are in phase in the case of West Germany means, of course, that that economy has concentrated investment in those areas which are both sectorally and globally productive.

We do not wish to give the impression that West Germany is a perfect economy. Far from it. Rather, both that nation's problems and successes are instructive for us and others. We shall see from the LaRouche-Riemann model's measurements that the functioning of the economy by all parameters—except living standards—fell drastically after the 1973 oil price rise, and then resumed growth at about the previous speed. There is nothing spectacular here. By our most optimistic scenario, the West Germans will have barely recovered their 1970 peak growth potential some time during 1982. But the West Germans are not accustomed to being spectacular, only reliable. And it can be stated emphatically that West Germany has slowly built up sufficient productivity and energy efficiency to make it immune from the effects of even fairly substantial oil price increases.

Export expansion

Capital formation is the most political, and international, of questions. No nation in West Germany's position can improve productivity in capital-goods industries without taking advantage of economies of scale that require a substantial and growing export market. West Germany solved this problem during 1979 by investing heavily (in physical terms) in the French and Italian economies—preventing those economies from entering recession—and this year by a major export offensive to



the East. Soviet trade, no matter what the Carter administration says or thinks, is not a mere option for West Germany, but a question of whether German society will prosper or be dissolved. That West Germany chooses to ship the Soviets precisely what the Soviets need to realize their potential for fossil fuels, and possibly nuclear energy, has alarmed some in the United States (who are in any event forbidden by the Carter administration from selling many categories of such goods to the Soviets). However, since the same Americans who show this alarm understand neither why they have nearly ruined the American economy, nor why the Germans refuse to collapse with them, their objections are not especially important in the scale of events.

There is a keen awareness among West German industrialists and bankers that the question of the developing-sector market is also a life-and-death matter for West Germany, even if the Soviet market in itself provides a sufficient avenue for expansion at this moment. That was the original objective of the July 1978 Schmidt-Brezhnev accord outlining mutual development efforts in the Third World; it was an outgrowth of this accord that blossomed into this year's 25 percent quarterly rate of increase in Soviet-German trade. Chancellor Schmidt is considering a major initiative for the reorganization of developing-country finances at the June summit of industrial nations in Venice. To push through such an initiative, since the Carter administration will be hostile, will require more willingness to shake up Washington than Schmidt has yet shown. But the initiative is no less necessary. West Germany could still, through inaction, ruin its success. Unless the West takes measures to rebuild the damaged economies of the developing sector this year, there may scarcely be a developing sector left to rebuild later on.

How Germany did it... and can keep doing it

by Susan Johnson

The first series of computer graphs generated by the LaRouche-Riemann model shows the 1962-79 period in the West German economy. The **net investible surplus** available to the economy—that is, the capital and consumer goods available over and above replacement needs to expand the production of tangible goods—reached an all-time high of 74 billion marks (about \$80 billion 1970 dollars) in 1963. Its rise and fall to the low point reflecting the first 1970s oil crisis came in tandem with that of the U.S. economy. But after 1975, starting from a lower level, this indicator rapidly recovers its earlier rate of increase. By contrast, net investible surplus has failed to rise above the zero level in the United States since 1974, and in 1979 fell sharply into deficit.

The West German **free energy ratio** is shown next for 1962 through 1979. This is the proportion of net investible surplus to the capital and wage costs expended in the same production period. It measures the maximum potential growth rate available to the economy. At present, the West German free energy ratio is rising even more sharply than the physical net investible surplus, and by the beginning of 1979 was well above the present 6 percent rate of increase in manufacturing output.

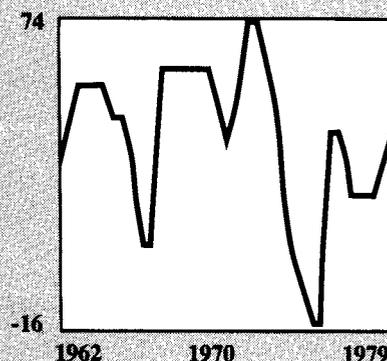
The third graph in this series may startle even readers familiar with recent pitches for foreign investment in the U.S. based on the erosion of American-German wage differentials. Starting at a low level in the 1960s, **variable capital**, or physical consumption of workers in the West German productive sector, rose but then showed a dramatic reversal during the 1969 recession—which had more severe effects in Western Europe than in the U.S.—and triggered a costly strike wave. However, consumption by these workers—blue-collar manufacturing, mining, transportation, construction and farm employees, minus those occupied in retraining or producing overhead goods like military equipment which do not re-enter the productive cycle—was *not* cut during the 1974-75 oil price crisis, and in the late 1970s increased sharply. By contrast, living standards in the United States have fallen a conservatively estimated 25 percent between 1970 and 1980.

This is one way in which the Federal Republic has maintained and expanded its secular productivity and its productive potential. The other way is shown in the fourth graph, 1962-79 **investment net of depreciation**. Recovering from the oil burden, this parameter rises at a

The West German economy, 1962-1979

Public and private policies of increasing productivity through capital-intensive and energy-efficient investment pulled West Germany out of its post-1973 trough. Not a spectacular record, but a sound one, especially compared with the U.S. economy's shortsighted efforts to substitute elbow grease for modernization and advanced energy utilization methods.

Net reinvestible surplus (S')
Billions of 1970 deutschemarks



sharp dip in 1978. While the graph ends before the final quarter of 1979, total net investment during the four quarters of that year and the first quarter of 1980 rose nearly to the 1960s peak. This occurred while American net investment not only failed to recoup its 1975 deficit of \$10 billion, but fell *into the red* by \$50 billion as of 1979.

In real terms, the West German economy is now growing at 6 percent a year, despite lower official projections for overall GNP. The rate of increase of manufacturing productivity in the first quarter of 1980 was 3 percent—the best average achieved by the U.S. economy during its strongest decade, the 1960s. Between 1960 and 1978, value added per employed person (again, in constant 1970 marks) more than doubled in the economy as a whole, and in the producing sector, rose 115.5 percent.

West German expansion of investment in fixed capital and labor capabilities has been based on a strategy of expanding the volume and market share of industrial exports, as we stressed earlier in this report. Currently West German exports are showing “more biceps than ever,” to quote the business daily *Handelsblatt*. As the world’s number-two salesman, the Federal Republic is only slightly behind the United States (and U.S. export composition is, of course, far more heavily weighted toward agricultural products).

In the first quarter of 1980, total West German exports displayed a 19.6 percent nominal growth, with retail price increases running at an average 6 percent. Exports to European Community partners were up 22 percent; to non-EC European countries (Scandinavia, Austria, Switzerland) 28 percent; and to the Soviet Union, 24 percent. In 1979, the proportion of German exports was roughly 48 percent to the EC, 6 percent to the U.S., 6 percent to OPEC, 5 percent to Comecon countries, and 8 percent to less-developed countries.

The implementation of the Bonn-Moscow industrial

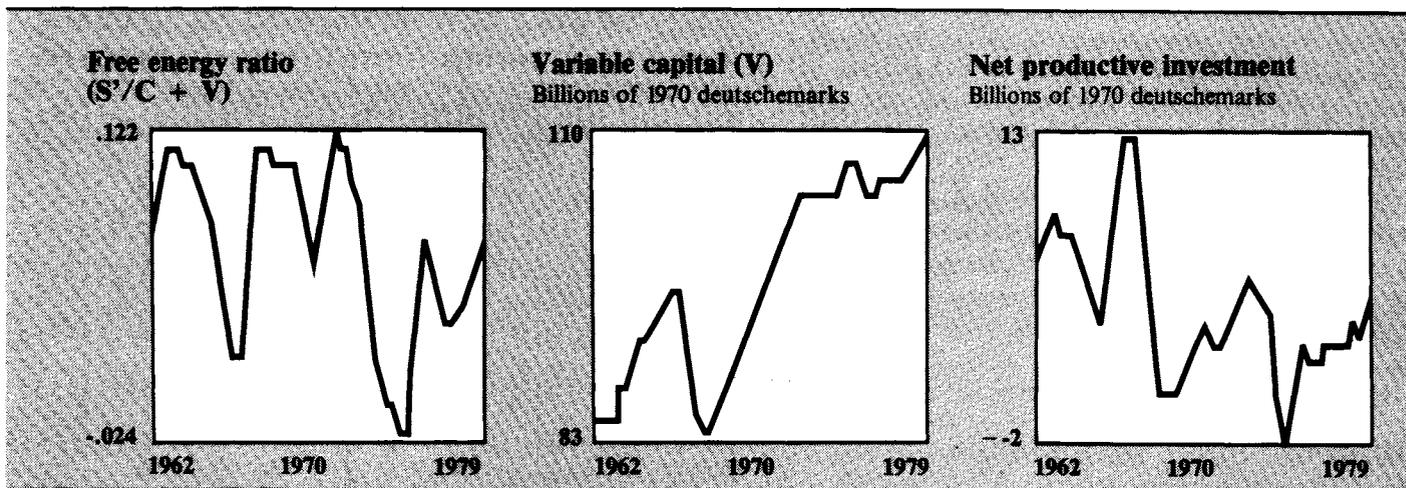
cooperation agreement will mean not only a further dramatic increase in eastward exports, but, centered as they are on energy development and transfer, a new phase of productivity potential. The German Chamber of Commerce and Industry is now trying to accelerate its drive to build up “knowledge-intensive” exports. Depending on how quickly the nation resolves its current nuclear-power development impasse, and/or moves into a more comfortable energy-supply situation on the basis of the Bonn-Moscow accords, the next tough question facing the West German economy will be how to expand labor-force skills sufficiently to meet Soviet capital goods demand and the needs of new high-technology domestic investment.

Conservative projections

The second series of computer graphs is based on projecting 1962-1979 trends into the four years from 1980 through 1983. This was translated into the La-Rouche-Riemann differential equations employed by the model by specifying values for the composition of reinvested capital, for productivity measured as the ratio of gross surplus to wage costs, and for the nonproductive expenditure ratio as well as the proportion of circulating to fixed capital and the capital depreciation rate—at rates of change extrapolated from that 17-year trend.

Net investible surplus, in this projection, reaches new historic highs. The free energy ratio still remains below its pre-oil crisis peak, reflecting in part the lower value for S' reinvestible surplus in the $S'/C+V$ ratio, and the lower productivity ratio relative to the optimistic series, despite the tremendous productivity gains made during the 1962-79 period.

Variable capital requirements show an order of magnitude of 50 percent increase above their 1979 level; this does not include the overhead costs of increased educational expenditure for tomorrow’s workforce, which



have been deducted from net investible surplus. Net investment almost triples in constant-mark value over the pre-oil-crisis peak, in a steady increase.

Optimistic projections

Based on the 1975-1979 trend line, these graphs show a slower rate of increase in net investible surplus and the free energy ratio—partly because there is a larger volume of fixed capital being depreciated at the same rate as the conservative projections' smaller volume. By 1983, however, both reach higher absolute levels than the conservative projections. The optimistic trend-line also shows the "jags," or relative discontinuities, that tend to occur at higher intervals of growth and consolidation, followed by further growth. Note that the substantial increase in S' net surplus, compared with the conservative projection, is accomplished with only a slight increase in outlays for variable capital wages, although it cannot be assumed that this situation would linearly continue.

Oil price scenario

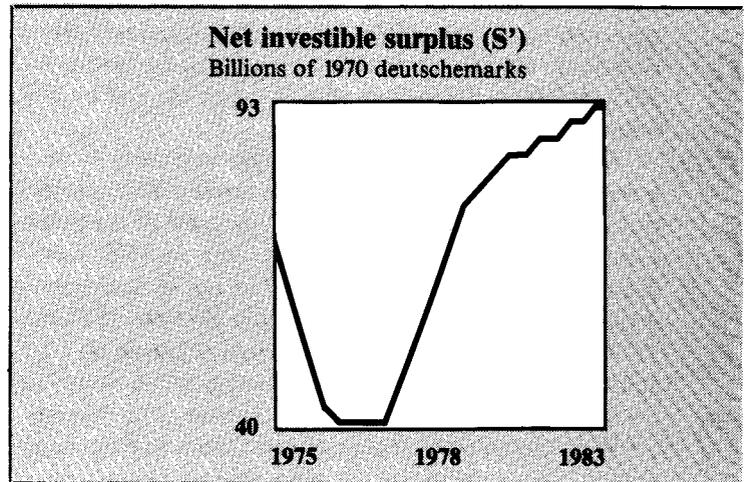
For the final series of graphs, the modelers took the optimistic projections and superimposed on them a high oil price increase in 1980-83. The figures are 15 billion (constant) deutschemarks in 1980, 20 billion in 1981, 20 billion in 1982, and 25 billion in 1983 above the ordinary trend line. The severity of this surcharge can be seen by comparing these costs with net investment levels. Yet this increase in overhead fails to throw the projection into a tailspin, or even significantly decrease growth potential, because the economy has reached higher levels of energy-efficiency and productivity. In 1983, net surplus does not reach the level it does in the optimistic projection, because the oil costs are deducted from gross surplus; the free energy ratio nevertheless continues to rise as do variable capital and net investment.

The full shock of this series comes, however, when it is compared with the U.S. projections published in the May 6, 1980 issue of *EIR*. These carried forward the 1970-79 trends in the American economy through 1986, with no extra oil price increases assumed. Reinvestible surplus by 1983 was \$130 billion 1972 dollars in the negative; the free energy ratio was $-.170$; and wages entered a zero-growth phase in 1981, followed by a sharp decline in 1984-86.

It should be added that both the "conservative" and "optimistic" West German projections are fundamentally conservative in the sense that they do not presuppose any major technological breakthroughs applied on a large scale in the early 1980s, or any reduction of energy costs of the kind which imports of nuclear-produced power could introduce. In another sense, they are both optimistic, since they assume continued demand growth from the West German export markets that account for expanded net investment.

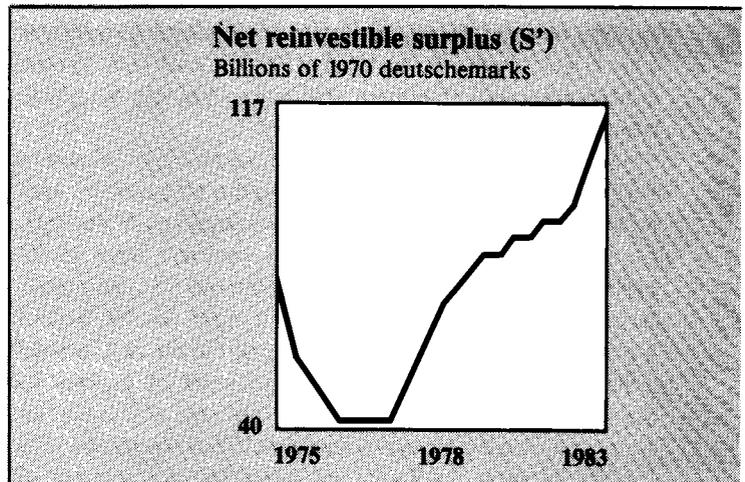
Conservative projection for 1980-83

Based on 1962-79 trend



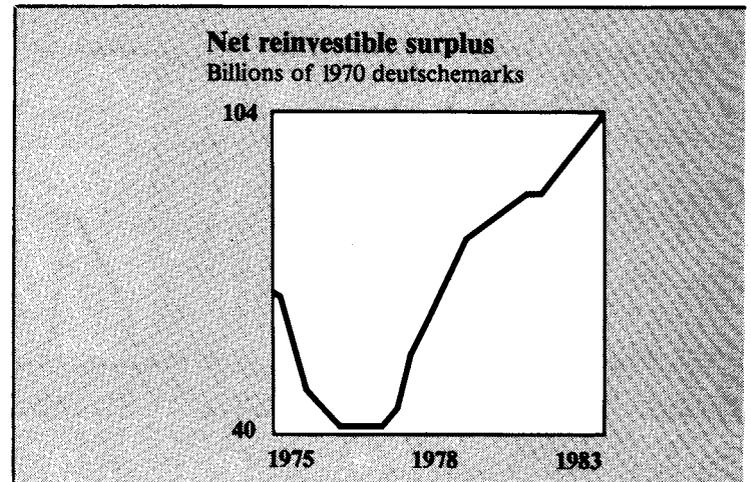
Optimistic projection for 1980-83

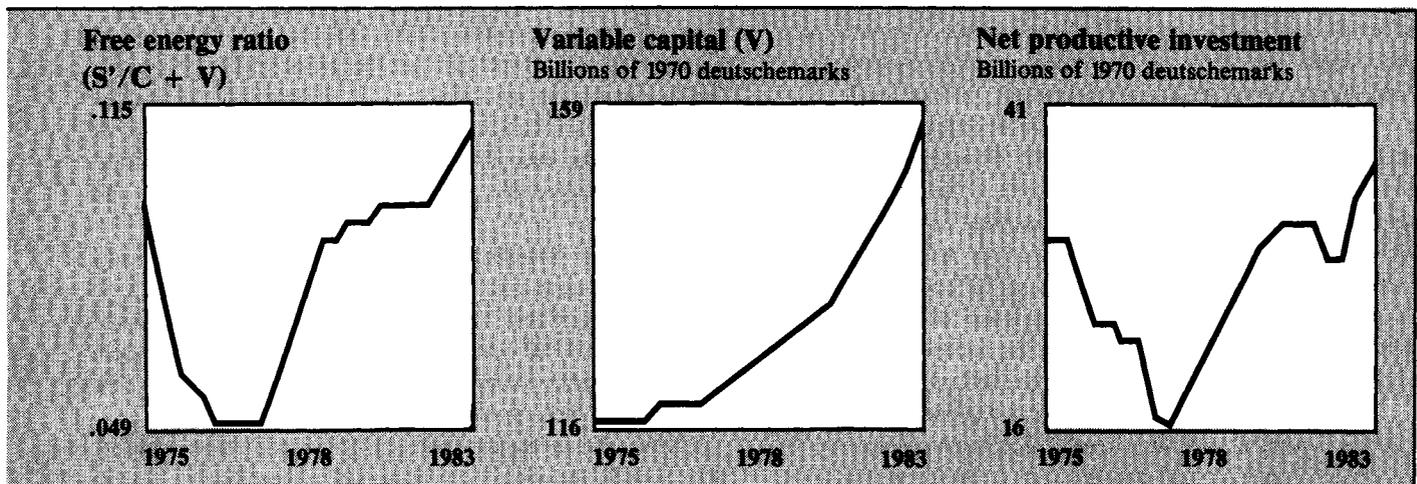
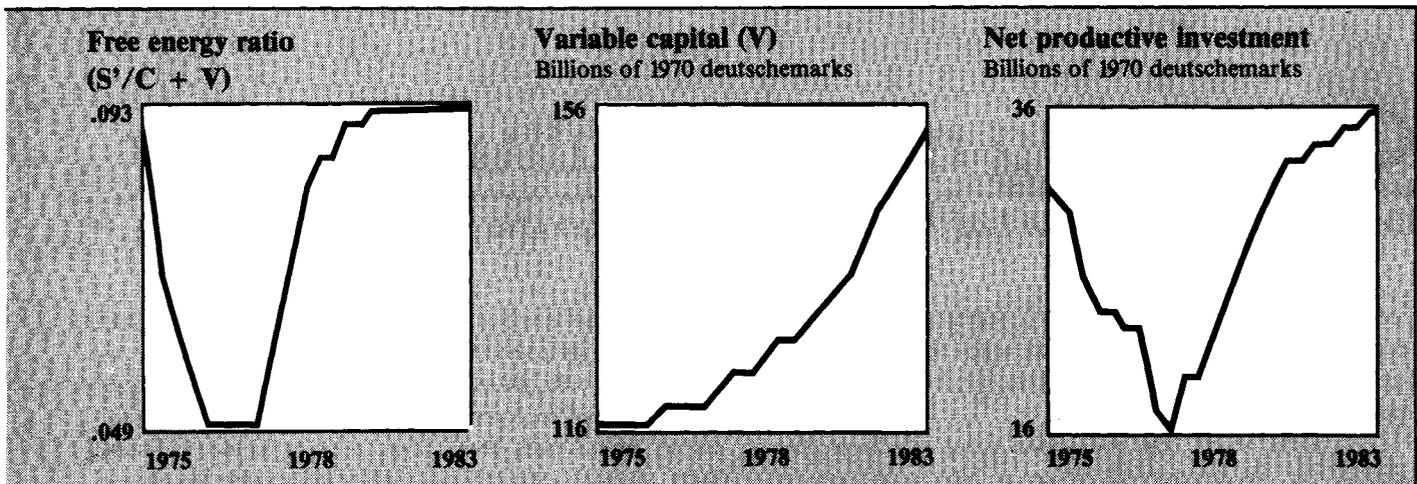
Based on 1975-79 trends



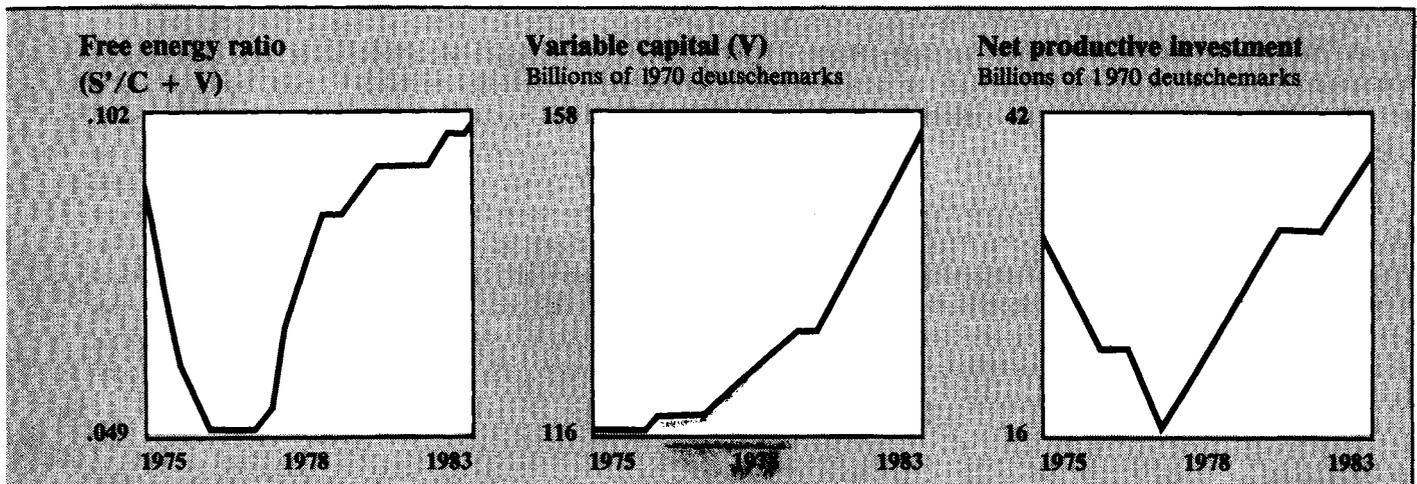
Sharp oil price increase imposed on optimistic

Added oil cost overhead: over the four years 1980-83 60





projection, 1980-83
billion deutschemarks



Calculating new agricultural parity

Democratic candidate LaRouche's statement on the farm problem.

For about 96 percent of the American people, the reality of agriculture is buried under great heaps of 'well-known truths' which are chiefly myths or even outright lies against our farmers.

For some years, the American food producer has been selling his product at prices which, from year to year, have averaged out at considerably less than the calculated parity values. When farmer product is sold at a price which is more than slightly below such parity values, the difference between the price received and cost of production must come out of the capital of agriculture. This takes the form of depletion of improvements in land, decay of agricultural equipment, and so forth.

The reason many farmers have avoided bankruptcy as long as they have is that until recently agriculture enjoyed the availability of significant volumes of credit, some at comparatively favorable interest rates. What the farmer did under these circumstances was to borrow capital to replace the invested capital he had lost by way of less-than-parity prices. The pile-up of agricultural debt that resulted was covered on the accounting ledgers of the lenders by a spiral of agricultural land prices.

The fiction in these land prices is exposed by the fact that no farmer could buy farmland at such prices for the purpose of agricultural production. In other words, this inflation in land prices meant that the financial rent on that land far exceeded the income of production using that land.

So, all the years farmers were piling up debts to cover the depletion of their capital by less-than-parity prices, a disaster was being built into American agriculture—whenever the supply of credit dried out, or whenever some drastic cut in farmers' income triggered the spiral in debt-equity ratios.

Then came President Jimmy Carter.

President Carter's administration participated in rigging the overthrow of the Shah of Iran. Although the net result of the cut in Iranian oil production has turned out to be a glut in world market oil supplies, the London petroleum-marketing cartel used the pretext of the Khomeini coup d'etat to double their petroleum prices, and the Carter administration rigged an artificial petroleum-

price crisis in the United States in direct collusion with the London petroleum-marketing companies.

This swindle, which Carter aided as part of his 'energy policy,' hit agriculture severely. Agriculture is extremely energy-intensive in terms of such items as fertilizers and fuels, and also directly and indirectly extremely energy-price sensitive.

Then, Carter and Federal Reserve Chairman Paul A. Volcker conspired to bring on a credit-crunch and the first stage of an actual depression with the mislabeled 'anti-inflation' package of last October. Then, as usual, Carter lied. He promised that the grain embargo against the Soviet Union would not result in bringing the sudden grain surplus into the domestic and world markets, to depress grain prices received by farmers. Typical of Carter, he broke that promise almost as soon as he had given it.

Although Volcker has formally reversed the new round of interest-rate hikes introduced by Carter March 14, the effect of that short-term leap in interest-rates was to wreck the U.S. and world credit systems to the point that once interest rates began to be lowered, permanent damage had been done to the credit structure.

Now, the farmer is forced to turn everything salable into cash for liquidity, under pressure from banks. Farmers trapped in 'prime-plus' financial contracts are suffering a massive loss. Forced dumping of farm products at near-disaster prices drives prices received by farmers ever-lower. Pork, beef, and so forth are now being sold at prices generally way below the cost of production.

To give the nonfarmer citizen some idea of what this means for his or her dinner table in 1981, we refer to the 1973-1974 shake-out in agriculture, a much milder shock than is occurring right now. During that period, herds were reduced by slaughter, and the cut in herd size has never been reversed since. It is a lie that high beef prices are holding down beef consumption by the public. The public has been buying every pound of beef the cattle-raiser and cattle-feeder have been able to deliver to the market without cutting replacement herd-stocks to the point of significantly reducing the following years of supply of beef.

Admittedly, there is an additional aspect to the problem. When the owner-operator farmer is forced to dump his product, it is the financially connected major grain and other farm-product oligopolies which buy up the farmer's product at low prices and resell that product under circumstances of significantly higher prevailing market price. The farmer lacks the credit-resources to hold his own product-inventory to supply final demand. For the moment, we merely caution the nonfarmer citizen that such an in-between matter exists. We continue now to concentrate on the matters dealing with parity values of prices paid to owner-operator farmers.

If the farmer is driven out of business, as a growing number are going out of business this year, the next year will see a shortage in food production, and substantially higher prices. This rise in food prices will then spiral upward as financial syndicates move in to control an increasing portion of farm land still in production. The trend will then be toward raising agricultural prices to levels determined by the artificial valuation of debt-laden agricultural land.

To repeat the point stated earlier. What is at issue for the 96 percent nonfarmer percentile of the citizenry is *a loss of stable food supplies at stable prices*. Parity prices to the owner-operator farmer protect not only the farmer: they are indispensable if we are to ensure a stable nutritional level at stable prices for the family dinner table.

We have stressed 'owner-operator farmer' and we add that the agricultural policies of the LaRouche administration will be based on keeping that independent, owner-operator farmer as the mainstay of U.S. food production. It is that farmer, not the absentee-owner, who sometimes works up to 17 or 18 hours a day, several days in succession, to prevent vagaries of weather from destroying a harvest and such contingencies. It is the technological ingenuity of such owner-operator farmers, especially those operating large family or intrafamily farms with benefits of economies of scale, which effects the main part of the improvements in quality and economic productivity of the American System's agricultural miracles.

That is the independent-farmer-system I am committed to keeping and strengthening. If the majority of the 96 percent nonfarmers are as sensible as I trust they are, they will join with me in insisting on that same policy.

How parity ought to work

Agriculture cannot work merely from the planting to the harvesting, one year at a time. A farmer produces economically by undertaking a program of production for each part of his output, a program involving investments in land-improvements, equipment and so forth, which must be averaged out over not less than a three-to-five year period.

Therefore, to secure economic efficiency—that is, to

keep parity-values as low as technology permits—farmers must commit themselves to production programs for their farms based on fair fore-knowledge of the market demand in quantities and average prices for forward running periods of between three to five years, allowing for marginal year-to-year adjustments.

In other words, to bring the required parity value down to the lowest sound price, we must work to create orderly markets for agricultural products, in both domestic and foreign markets over running three-to-five year forward periods. Farmers can then produce according to reliably forecast demands. As long as we can buffer the excesses and shortages caused by weather and such with reasonable product inventories, the farmers can keep the food-pipelines filled to any reasonably forecast food-requirement at a stable average price for this volume of product.

Let it be clear that we are not hinting at some scheme for governmental de facto 'collectivization' of the American farmer. No measure must be introduced which undercuts the independence of the owner-operator farmer. Our job is to use the tools of better forecasting and better agricultural export practices and policies to provide those independent farmers with reliable forecast volumes and prices which they will use as information to guide themselves in managing their farming. This means also retaining measures such as the Capper-Volstead Act, as means to aid farmers in collaborating among themselves to promote orderly marketing of their product—to protect themselves against being played against one another by greedy middleman organizations. We desire that the portion of the price we pay for food which properly belongs to the farmers should go to the farmers, to keep our food supplies stable and stable in price.

It is the ingenuity and investment-risk of the owner-operator farmer which will work within a combination of orderly marketing and sound parity-values to foster new technological improvements in agriculture by the best independent farmers. The benefits of competition among farmers will be fostered in that way.

Included Policy-Measures

Several specific measures must be taken immediately by the federal government to relieve the current agricultural crisis—that is, if the 96 percent of the nonfarmer citizens are to have proper nutrition at reasonable prices for their dinner tables in 1981 and 1982.

I am committed to a policy of world-market prices for American agricultural exports, for one thing. I am against taxing our farmers in order to dump food on the world market, that being the general drift of federal policy to date.

Less than 4 percent of our labor force produces the food which has fed our population and a good part of the rest of the world besides. Of this total, about 1.5

percent of our total labor force, working as owner-operator farmers, produces the great bulk of the total, with part-time and so-called marginal farmers filling out the total. Until the cumulative disasters of the two Kissinger administrations and the Carter administration erupted over the 1970s, we could say with confidence that our farmers were the most productive in the world, producing high-quality food at the lowest social cost of any nation. About 80 percent of the Communist Chinese population is employed in producing a miserable diet for those people as a whole. About one-quarter of the Soviet labor force is required to produce a poorer average diet than less than 4 percent of the U.S. labor force.

A LaRouche administration policy for agricultural export treaties will be geared to world-market prices.

Most urgent is providing stable lines of agricultural short- to- long-term agricultural production and capital-improvements credit at rates of between 4 and 6 percent. This should be adequate to promote revivals of agriculture, stopping the looming disaster to our nation's food supplies, and also providing farmers with financial leeway for better collaborative management of the marketing of their product.

Without ignoring other components of our agricultural export categories, my administration will stress three categories of product as paradigmatic for my agricultural policy as a whole. I am committed to increasing grain, beef-cattle, and dairy production, with emphasis on increased margins of export. For the medium-term, grain should be a big seller under treaty agreements secured by my administration. As developing nations improve their grain production over the medium-term, rising purchasing power in these and other nations will increase the demand for U.S. beef and dairy exports considerably. The point is to begin building up our beef and dairy herds, phasing increased grain production gradually from export into feeding of beef and dairy production.

Perhaps it will be rumored that when President LaRouche greets foreign ambassadors in boots and overalls, the ambassador will know that the President is in a mood to sell grain, beef, and dairy products. I wouldn't actually appear in such dress for diplomatic functions, but the rumor will probably be spread nonetheless. I mean to sell a growing amount of our agricultural product to nations in search of some good eating.

If some gifted people can prove good methods for improving the production of twins in beef cattle, and avoiding sterility among twins in dairy cattle, you may be certain that those people's government will not show itself ungrateful.

I am not a farmer, but, like most sensible people, I appreciate an adequate supply of good food for the dinner table.

Otherwise, as President, I shall appoint a selection of farmers to staff the relevant positions in the Agriculture Department, with some leading agronomists worked in. The American people, and a lot of hungry people abroad are going to be secured good nutrition.

The Profit-Factor in Parity

The preceding outline provides the nonfarmer citizen with a rough outline of the essential background for the problem on which I am going to report at this time.

When one asks, 'What should a farmer's gross profit be?' The question, stated in that form, might be answered by almost any figure picked out of the air. That is the gist of the point I have been discussing with a number of leading farmers.

However, when we think of profit as the fund available for reinvestment in expansion and improvement of agriculture, any competent economist—or farmer, immediately smells out a better way to answer the question. At what rate of profit can beef herds be increased a given amount, dairy herds, grain production, and so forth and so on?

In other words, to determine what the proper gross profit component of parity-values ought to be, we must work backwards from the desired quantity and quality of total output for the category of agricultural product under consideration. I ask the American citizen 'How much beef do you require for you dinner table in 1981, 1982, 1983?' At what parity-value will the American beef-producer be able to supply that required volume?

In making this calculation, we must also take into account certain other considerations. Our objective should not be merely to increase the supply of food, but to promote technological improvements in quality and quantitative features of food production. This means increasing the capital-intensity. These improvements in agricultural technology are key to controlling the price of food at the dinner-table in the medium and long term.

It happens that there exists presently only one analytical method for considering both of these two requirements, quantity and technology, simultaneously to arrive at a reliable definite value for profit-ratios. That is the LaRouche-Riemann program of analysis.

I have therefore initiated the work with my relevant collaborators to begin developing the package for determining the kinds of parity-values required for the needs of the American System of agriculture.

This procedure and policy will bring the 96 percent nonfarmers of the electorate into the process of shaping national agricultural policies. Instead of viewing the farmer as a gobbler of subsidies, you will begin to view the farmer as your only source of a stable supply of food at stable prices.

The snowball effect

The Fed appears to be trying to pump money into the economy to slow the collapse it earlier provoked—but loan demand hasn't revived.

For President Carter to promise the big-city mayors who gathered in Seattle on June 10 that he will do something if unemployment continues to soar is like a hit man offering to send a fruit basket to the widow of his victim. The recession triggered by the March 14 Carter/Volcker credit restraint package is now running out of everyone's control.

The fastest and most deeply collapsing sector has been steel, which operated at only 61.1 percent of capacity in the week ending June 7. Industry sources expect operating rates in their industry to fall to 50 percent of capacity before long, which would make the downturn the worst on record. The immediate cause is the collapse of orders from auto, which has cut back new auto production by more than 30 percent from last year; construction and steel service centers, which are reducing their inventories on the expectation that there will be no rebound in demand. One steel industry source reported to us recently that the murderous cancellation of orders hit the steel industry all at once right after March 14. Until that point, he said, his company had continued to receive orders from customers who were still not convinced that the economy was heading into a prolonged recession.

The Commerce Department's latest survey of business capital spending intentions, taken in late

April and May, shows that plant and equipment outlays will rise only about 1 percent this year from last, taking inflation into account, after a 6 percent real increase in 1979. The survey the Commerce Department took in late January and February had indicated that the current level of capital spending would be higher, but that businessmen also expected inflation to be higher. Spending was expected to be as high as 2 percent.

Surprising no one, retail sales dropped 1.5 percent in May before adjustment for inflation, for the fourth consecutive month. The drop was heavily weighted to the auto and buildings materials sectors, which were reported down 22 percent and 13 percent respectively. The overall drop would have been a lot more severe were it not for a 31 percent gain in gasoline sales—entirely a function of price increases. Administration officials are puzzling over the fact that despite the partial lifting of consumer credit controls, American consumers still appear unwilling to resume spending.

From all indications, the Federal Reserve appears to be trying to pump some money into the economy through bringing down borrowing costs in order to arrest the *negative* growth of the basic money supply and patch up the eroding status of the U.S. as an industrial power. This tack is not working any better than the Fed's

earlier attempts to bring down the inflation rate by pushing interest rates sky high.

In the nine weeks through May 28, business loans at the large commercial banks plunged by \$6 billion to \$152.1 billion—at the same time that interest rates tumbled by almost 10 percent. The commercial paper market, which until recently had been picking up some lending business from the banks, has nosedived in recent weeks, falling \$2.32 billion in the week ended May 28 and \$536 million in the previous week.

Some of this demand for credit has been diverted to the bond market, where the top-rated corporations are converting short-term debt into longer-term maturities. But a lot of the credit demand has simply been crushed by the snowballing economic collapse. Consumer credit outstanding dropped precipitously by \$1.99 billion in April, the first decline in more than five years.

Speculation was rife last week that the Fed would be forced to take a more dramatic move to loosen credit and slow down the rate of economic collapse, with some analysts expecting that the Fed might call an emergency session of the Federal Open Market Committee, which determines short-term interest rates, to lower its interest rate targets further. On June 11, the federal funds rate—the key short-term rate—came down to 8 percent and banks began reducing their prime rates to 12 percent. How far the Fed will move to bring interest rates lower is a less interesting question, however, than whether the administration can slow down the uncontrollable collapse it has triggered.

French banks gain Euroloan clout

Resting on their petrodollar deposits they look to stronger bond management.

During 1979, figures released on the growth of assets and deposits among leading French banks forced bankers everywhere to concede that the French had acquired a privileged access to petrodollar deposits. Informed observers attributed this to the persistent diplomacy of French President Giscard d'Estaing, and his efforts to engineer an independent European foreign policy in the Middle East based on Euro-Arab collaboration for economic development. French banks, however, had led only a small proportion of syndicated Euroloans and Eurobond issues, especially dollar-denominated ones.

This month it became more obvious that in the past 18 months, France's leading bankers are developing both the expertise and finesse to transform this acquired financial weight into a deployable, aggressive force in international banking. Just as the British banks dominated the Euromarkets in the late 60s, and the German banks moved in during the 1974-77 period, currently French banks are the most aggressive force in European and international finance. U.S. and London merchant banks have pulled back in several cases from Eurobond activity.

At the end of 1979, Bank for International Settlements reports identified Crédit Agricole (CA), France's government-owned financier of agricultural operations, as the largest deposit-holder in

Western Europe, second only to Bank of America worldwide. CA is now being reorganized to enable it to hold stock shares of companies it finances, and gain greater flexibility in international financial operations.

At the same time, by the end of 1979, France's Crédit Lyonnais emerged as the number-three lead manager of Euroloan syndications in the world, heading \$21.2 billion in offerings. While lagging behind both Lloyds Bank and the Bank of Tokyo in volume of transactions, Crédit Lyonnais achieved this performance by putting together the largest number of deals, 116.

The connection between Giscard d'Estaing's diplomacy and the growth of French international banking potential is underlined by the case of Société Générale (Sogen). Last year, Sogen reorganized its entire bond trading department, having recruited prestigious Italian banker Stefano Colonna from Morgan Stanley International to head this operation. Then in March Sogen made its first major break, heading a \$100 million bond deal for Mexico's Nacional Financiera, and a \$500 million Mexican Eurocredit. Both ventures were arranged during Giscard d'Estaing's state visit to Mexico City; and major additional financings by Sogen for Mexico are currently under discussion, including export credit loans.

Most financial analysts, as revealed in a series of interviews in

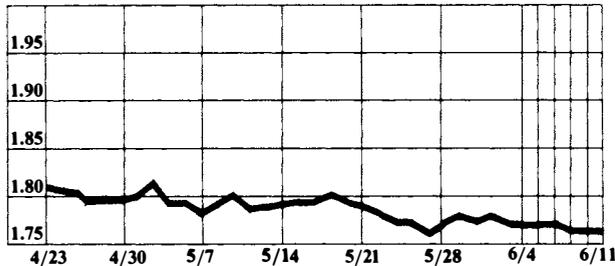
New York, haven't been giving much attention to French banking activities. Last week, however, the European Investment Bank announced that a \$100 million, eight-year dollar bond scheduled to be marketed in New York by its chief financial dealer, Merrill Lynch, would be postponed. In its place, the EIB decided to launch a \$100 million offering with a consortium headed by Crédit Suisse-First Boston. The consortium, which includes Parisbas and Bruxelles-Lambert, got the issue by offering the EIB a deal it couldn't refuse: an interest rate of 11 percent, 1/2 percent lower than Merrill's bottom offer. The dollar Eurobond sector had livened up overall as U.S. rates came down.

The same approach was then taken by Parisbas, France's most politically influential commercial bank, in designing an issue for the World Bank. In an offer described as "dramatic" by one New York bond-trading manager, Parisbas offered the World Bank, a seven-year \$100 million dollar bond at 10-1/4 percent, followed June 10 by a five-year \$200 million issue with a 9-1/4 coupon. A European source in New York commented that these latest French moves signal that "many changes" are under way in Euromarket financing. "Just one month ago," the source added, "Eugene Rotberg [World Bank director] said he wouldn't issue any dollar-denominated loans, and now it's happened. Just look at the changes underway."

Parisbas' lead for the World Bank issue—which Deutsche Bank had been expected to take if the issue was transferred—was cited as an important move in the "very competitive situation right now."

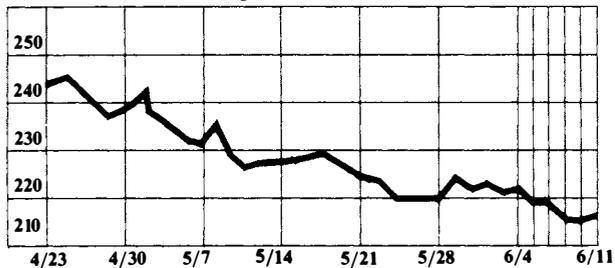
The dollar in deutschmarks

New York late afternoon fixing



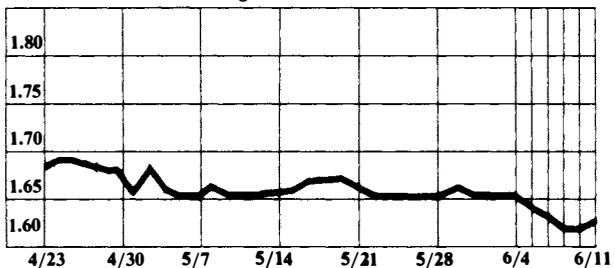
The dollar in yen

New York late afternoon fixing



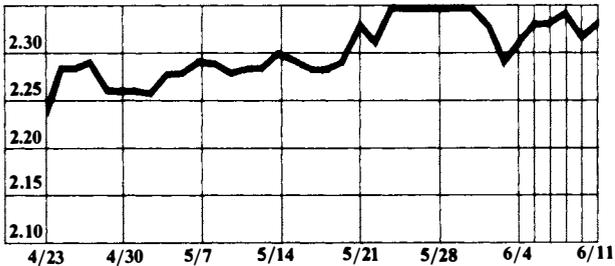
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

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Over the past several weeks the major U.S. media have begun to highlight the severe deterioration in U.S. military capabilities. However, it was the Executive Intelligence Review in collaboration with the Fusion Energy Foundation that four years ago first drew attention to the devastating facts concerning the collapse of U.S. force capabilities and the even more important advances in Soviet force developments.

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What science loses when it loses the Solar Polar Mission

by Marsha Freeman

Last month, in a burst of budget-balancing stupidity, the House Appropriations Committee eliminated funds for the most important project remaining in the space program of the National Aeronautics and Space Administration (NASA)—the Solar Polar Mission. The action brought immediate protest from the European Space Agency (ESA), which had already spent \$30 million on the joint project. The Europeans are still hopeful they can pressure American policymakers to restore the program.

They have weighty arguments on their side: The Solar Polar Mission would give scientists a “new window” on previously unexplored aspects of solar, interstellar and interplanetary space. It exemplifies the crucial role of space exploration in answering the most far-reaching questions of basic science.

The Solar Polar Mission would launch two spacecraft to probe the sun from opposite poles simultaneously, providing our first three-dimensional view of the heliosphere (the solar “atmosphere”). Because the polar regions of the star are less active than other regions, scientists believe, measurements and observations of activity underneath the surface or corona could reveal much about the nature of the thermonuclear fusion process. The sun, in effect, is the nearest working fusion reactor to the earth.

The two solar spacecraft, one built by NASA and the other by ESA, would include both stationary instruments targeted in fixed directions, and spinning platform-mounted instruments. The mission would be the first to send craft outside the solar system’s plane of the ecliptic—no previous spacecraft has had sufficient boost—thereby obtaining a view of interstellar space free of the interferences of the solar system.

NASA’s Space Shuttle would launch the two spacecraft on a trip to Jupiter. Making X-ray measurements as they fly by the giant planet, the craft would be boosted by Jupiter’s immense gravity into a path above the ecliptic plane.

The craft would then explore the following:

- The corona: Mariner 2 verified theories of a solar wind blowing continuously outward from the sun’s outer, halo-like layer in 1962. Scientists learned that some high-speed streams in the wind cause magnetic storms on earth, which they believe originate from “holes” in the corona. A white-light coronagraph and an X-ray/UV (ultraviolet) telescope will provide a three-dimensional view of the corona, and peer down into the “holes”—the aim is to predict geomagnetic and auroral activity as much as 10 days in advance, important for short-wave radio communications, navigation and geological exploration systems using magnetometers.

- The convection layer: The sun’s magnetic fields apparently originate in a layer closer to the thermonuclear reactions at the sun’s core. Fusion heat cannot escape as fast as it is produced, producing a convection layer of circulating fluids and energy which, in conjunction with the sun’s rotation—faster at the equator than the poles—produces effects like sun spots, solar flares and prominences. Some mission instruments are designed to explore all of these phenomena.

- Solar bursts: High-speed protons and electrons sporadically burst from the sun at near the speed of light, believed to originate from huge, fiery eruptions on the surface—solar flares. Some seem to linger, then flash across space; others stream instantly outward. The spacecraft will “listen” to the radio waves these flares emit, and try to track them. They will also “listen” to other waves generated locally in interplanetary space; they interact with the solar wind.

- Interstellar space: Most matter and energy entering the solar system never reaches earth. Interstellar gases are blocked by the solar wind, whose magnetic field keeps out low-energy charged particles and robs cosmic rays of their energy as well. Operating above the ecliptic plane, the Solar Polar mission craft will detect cosmic rays in their pristine state, and throw open a new window on galactic space and these many interstellar phenomena.

There is another issue—apart from the specific benefits to be realized from the Solar Polar Mission itself. Its temporary cancellation by certain fools in the U.S. Congress is one more step in dismantling NASA, and ending all space exploration. Yet, space exploration itself must be returned to at least 1960s levels if U.S. economic and scientific strength is to be revived—in the way NASA and the space program effected mighty improvements in U.S. education, effected important spinoffs for industrial applications, and captured the popular imagination around the Idea of Progress. So, the issue of this particular space mission is a broader issue—industrialization versus deindustrialization. The Europeans stand for the first, but currently, both the White House and Congress stand for the other.

Trade Review

NEW DEALS

Cost	Principals	Project/Nature of Deal	Financing	Comment
(\$)4 bn	Australia from Netherlands, U.K., and others	LNG and other petroleum products will be extracted from the North West shelf off Western Australia by a group of companies acting together, with Woodside Petroleum (controlled by Shell Oil and Australia's Broken Hill Proprietary) holding 50 percent interest; Shell and BHP (jointly) 43 percent; and BP and California Asiatic Oil, 16.67 percent.	\$1.3 bn loan for Woodside just approved by consortium of banks	Contract to supply 6 mn tons LNG per annum to Japanese utilities is pending
(\$)1.53 bn	East Germany/Bulgaria	Sixty-nine percent of this trade will be in metal products. Bulgaria will increase deliveries of machinery and electric forklift trucks to East Germany, while East Germany will export entire steel rolling mills, mining equipment, tractors, and computers to Bulgaria.		Protocol signed in E. Germany
(\$)735 mn	China from West Germany and several others	A 17-member multinational consortium dominated by West German companies and led by Schoemann Siemag will build a large cold steel rolling mill as part of the Paoshan iron and steel works outside Shanghai. Siemens and AEG will supply the electronics; MAN part of the plant and Hochtief much of the actual construction		
(\$)600 mn	Switzerland from U.S.	Swissair has ordered four Boeing 747's, two McDonnell Douglas DC-10-30's, two DC-10-30 refitting kits		
(\$)400 mn	Canada from France	Michelin will build a third tire production plant in Nova Scotia		Company announcement
	U.S./Oman	Agreement for cooperation in economic development, trade, and security		

Business Briefs

Labor

Real U.S. unemployment in double digits

Executive Intelligence Review analysts reported June 12 that this past April, when the official unemployment rate reached 7.0 percent, real unemployment was minimally 12.4 percent. And a combined measure of real unemployment and *misemployment*—a growing number of workers have been shunted into non-productive, dead-end jobs over the last several years—was *nearly 25 percent*. The real unemployment rate among black male youths ages 16 to 21 was nearly 40 percent, by our measure.

The number of individuals "not in the labor force" has been steadily increasing in line with the disappearance of productive job opportunities in the U.S. economy. A full report is coming in *EIR*.

Energy

Soviets gear up nuclear development

The Soviet Central Committee met June 3 to gear up the country's energy development program, especially nuclear energy, in the next Five Year Plan. Motivating this program, Politburo member A.P. Kirilenko said in the main speech of the meeting that "The imperialist circles, and especially the U.S., have seriously complicated the international situation . . . The situation in the world dictates the necessity for successful implementation of the development plans for Soviet electrical energy, which plays a key role in the further growth of the nation's economic and defense potential. The calculations of the Carter administration that its so-called 'economic measures' of struggle against the U.S.S.R. would restrict the development of our economy and its energy will fail.

"Particular attention must be given to make sure that the atomic power

stations are completed on time," Kirilenko stated, stressing the future requirements of "expansion of nuclear plant construction with fast-breeder reactors, development of work on thermonuclear fusion power, use of solar and geothermal energy, and work on the phenomenon of superconductivity. The U.S.S.R. State Committee on Science and Technology, the Gosplan, the ministries and departments, will undoubtedly move ahead on these pressing scientific-technological problems with high responsibility, and ensure the complex solution of all questions concerning the implementation scientific discoveries and the creation and use of new technologies."

According to West German corporate executives, during his recent talks in Bonn, which produced the new West German-Soviet industrial cooperation accord, Soviet leader N. Tikhonov indicated that a decision in favor of the huge new natural gas pipeline deal between the two countries could be taken in the middle of this year. Chancellor Helmut Schmidt visits Moscow at the end of June.

Banking

BIS report calls for bullet-biting

The annual report of the Bank for International Settlements applauds the fact that most countries have pursued the tight monetary and fiscal policies long advocated by the BIS, which is the consultative group of Western central bankers based in Basel, Switzerland. "Fighting inflation" remains the top priority, states the report, even though credit restriction can "push the Western world into an outright recession." The BIS staff, headed by Alexandre Lamfalussy, singles out the American economy as most in need of "painful adjustments"; for the Western industrial world as a whole, it adds, "an extended period of painfully slow growth is necessary," because "freedom of choice" is lacking.

The report coincided with the annual meeting of the BIS, attended by central bankers from more than 70 nations. The meeting celebrated the 50th anniversary of the institution, which originated Friedman-style monetarism. Discussion centered on recycling of petrodollars, specifically the still vague French proposal to expand the European Monetary System and its capacity to absorb the OPEC surplus. Such inflows could dampen inflation while allowing lending expansion, if they were channeled into productivity-boosting industrial investment in Western Europe and the developing sector. On this topic the BIS report states that there is no immediate problem with current forms of financing non-oil LDC deficits. In the medium term, it suggests, the International Monetary Fund should take on a larger recycling role.

Agriculture

Carter threatens milk support cuts

U.S. Secretary of Agriculture Bob Bergland threatened June 4 to postpone the scheduled October increase in dairy price supports, claiming that he thinks the dairy industry will go along because the alternative is "for Congress to set a limit on dairy support spending, like they have on food stamps."

According to the *New York Times*, the National Milk Producers Federation has already submitted proposals to make the price support level more flexible. Currently the law requires Washington to support twice a year if the parity index rises, as has been the case for the past three years.

Bergland's supporters argue that the increase in U.S. milk production from 121.6 million pounds in 1978 to 123.6 million in 1979 reflects unfair incentives allowed dairymen and compels the government to buy up excess milk and cheese surplus. Farmers say, however, that their costs have outrun their real incomes, jeopardizing the future of the

dairy sector. The output increase, they report, reflects the unprofitability of the non-dairy farming they usually devote resources to, such as production of beef and feedstuffs.

Oil

Are OPEC prices leveling off?

The OPEC oil cartel's price-setting meeting in Algiers this week saw the most conservative move on the pricing front by the 13 oil producers since the Iranian Revolution last year. The maximum upward motion of OPEC prices is expected to be no more than \$2 a barrel between now and September when the Cartel meets again.

Despite the widely publicized militant rhetoric of the so-called pricing militants led by Iran, Saudi Arabia and its moderate ally, the United Arab Emirates, refused to raise their prices or meet Iran's demand to lower production. Iranian Oil Minister Ali Moinfar, in a bid for publicity, spent most of his time in the corridors convincing correspondents that the cartel had agreed to decrease crude output by 2 million barrels a day. Moinfar was summarily overruled by other more responsible oil ministers who confirmed that no such agreement on a production cut existed.

According to AP-Dow-Jones, Saudi Arabian oil minister Zaki Yamani left the meeting after the first day for temporary consultations with Saudi Crown Prince Fahd in Spain. The next day, Saudi Arabia flatly refused to raise their price one penny above the \$28 a barrel level. This was seconded by the United Arab Emirates. Yamani's only comment on Moinfar's insistence that an agreement to lower production and raise prices had been reached was: "Saudi Arabia has agreed to nothing."

At present there is an estimated 6.7 billion barrel world reserve of oil in stock with a daily surplus of over 1 million barrels. OPEC can only enforce further price hikes by lowering its production. Iran has begun to feel the brunt

of this situation, with sales of only about 600,000 barrels a day. Oil industry sources report that Iran is now secretly lowering its prices from the \$35 a barrel range just to keep its customers.

Moinfar almost engaged Iraqi oil minister Karim in a fist fight during the meeting, accusing Iraq of taking Iranian markets by increasing oil output.

World finance

De Montbrial: need 'exceptional actions'

A June 12 essay in the French daily *Le Monde* shows the degree to which Western Europe has been shaken by the failure of U.S. economic leadership. The author, Thierry de Montbrial, is a director of the Institut Français des Relations Internationales, a member of the Club of Rome, and a member of the Trilateral Commission.

De Montbrial writes that "transatlantic disaffection," the "unprecedentedly critical economic situation," and especially "the indebtedness of the Third World" and the insolvency of part of the Fourth World" now "threaten the international system in a qualitatively and quantitatively new mode. . . . The idea of a world conflict is not being ruled out any more. Exceptional situations require exceptional reactions."

Montbrial adds that "I dream of a U.S. President" who would announce the reconvertibility of dollar official reserves into gold and "a war plan" for energy independence, adding that Europe must "assert in practice the existence of a European pillar, coherent, independent, but allied with America. . . . A more coherent role for the Nine [European Community members] is not incompatible with the idea of a directorate introduced by General de Gaulle in his 1958 memorandum to Eisenhower. . . ." De Gaulle proposed a "Tri-directorate" of the Atlantic Alliance, in which France, the U.S., and Great Britain would each have veto power over any use of nuclear weapons.

Briefly

● **AMERICAN BANKING** Association members were heard at the recent international monetary conference in New Orleans vociferously protesting government loan guarantees for the Chrysler Corporation. Asked to comment on their support for a "safety net" to bail out bad international loans held by U.S. banks, they said, "That's different."

● **ITALY'S** statistical agency reports that April 1980 manufacturing output jumped 14.9 percent above the year-earlier level. In the first four months of this year, industrial production rose 10.8 percent, seasonally adjusted. According to the national manufacturers' association Confindustria, rising productivity, domestic consumer demand, and capacity expansion have contributed to the increase.

● **JOHN MOORE** president of the U.S. Export-Import Bank, said last week that the large New York commercial banks have cut off all new credit to South Korea for the next three months, pending resumption of the "liberalization" of the country demanded by the Carter administration. Otherwise they expect "unrest" and will probably extend the credit embargo.

● **JIMMY CARTER** told a June 10 conference of big-city mayors that "I hope and I pray that the recession will be short and the worst of the unemployment is behind us." His Treasury Secretary, G. William Miller, stated June 6, however, that until we "know the path of the economy, we do not intend to flinch and change course."

India: the fight for peace and development

by Peter Ennis

Several weeks ago, a Parliamentary Consultative Committee report on India's foreign policy circulating in New Delhi stated the commitment of the government of Prime Minister Indira Gandhi ability to defuse the growing military and political tensions throughout the Indian Ocean area. Two fundamental planks of this policy were specifically mentioned: India's relations with the Soviet Union, "which strengthen our ability to diffuse the situation," and India's ties with France, which were consolidated during a visit of French President Giscard to New Delhi earlier this year.

At the same time that the report appeared, India was in the midst of a heated electoral campaign, with polling set to take place for state assemblies in nine states. Every weekend during the month of May, Mrs. Gandhi visited various constituencies in the nine states and delivered a simple and straightforward message to the urban and rural populations: the world is on the brink of war and India, "as part of the human race, must face the enormous difficulties and challenges of the day" to play a role in securing peace. The elections, held in the last days of May, resulted in big victories for Mrs. Gandhi's Congress Party in eight of the nine states, giving her a mandate to further pursue the policies for peace.

Both the foreign policy report and the successful election campaign conducted by the Congress Party-I (Indira) have served to emphasize an important fact not well understood: If war is to be avoided, India will play a central role in that process. Indeed, as East-West tensions continue to flare, India is a country uniquely positioned to cool things out, having close ties and being held in respect by countries of both East and West.

For this reason, the world has a great stake in the stability of India and the Gandhi government, and the future economic development of the country.



Photo: NSIPS/Zykofsky

Since coming to office last December, the Gandhi government has devoted extensive time and effort to formulating political solutions to both the crisis in neighboring Afghanistan, to the west, and the still-tense situation in Southeast Asia. The economic policies of the Indian government which emphasize the importance of high-technology and industrial development, have been very important for war-avoidance as well. Perhaps more than anything else, the underlying cause of war danger in the world today is the effort of the World Bank and the Club of Rome, with the backing of the Carter administration and the government in Peking, to impose on the developing countries economic policies similar to those China used in Kampuchea to murder upwards of three million people. A Gandhi government pursuing nuclear energy development and related policies poses a severe threat to this Dark Age strategy. Much of the Third World will follow India on the route Gandhi chooses.

In both its diplomatic and economic efforts, the Gandhi government has been faced with tremendous obstacles and threats from the communist Chinese, who are now fully allied with the Carter administration.

Chinese threat

Throughout India, there is not simply a "general" feeling of international war danger, but a very intense

sensing that the immediate national security of India is being threatened by the actions of China in the region. Well informed security and political analysts speak of a growing "encirclement" of India by China, backed by its Carter allies.

To the west, there is the crisis in Afghanistan, where the Chinese have a heavy hand. Together with Pakistan, China has been funneling arms and money to spur a "rebel" movement in Afghanistan against the Soviet-allied government in Kabul. The crisis in Afghanistan is a direct extension of the U.S. and Chinese-backed "revolution" in Iran that put Khomeini in power. Now, Iran is being put through the horror of an economic policy little different than that implemented in Kampuchea several years ago. The crisis in the area is being used by both Washington and Peking to strengthen military and political ties to the government in Pakistan.

To the north, the Chinese are using the crisis in the area to build up troops on its border with India, while the United States is beefing up naval deployments in the Indian Ocean, to the south of India.

However, it is the eastern flank of India which is the most immediate concern to political circles in India. There, in the northeast section of the country, China is fully backing a political rebellion and secessionist movement against the central government.

The northeast area consists of one full-fledged state,

Assam, and six semi-autonomous regions closely affiliated with the central government. All seven areas are largely made up of people from a different ethnic and cultural background than the rest of India.

Assam has been the principle focus of attention, as students are demanding that all "foreigners" (Muslims and other "non-Assamese") who entered the state after 1951 be immediately expelled. There has been widespread violence and economic dislocation wrought in the state, including the shutdown of oil refineries in the area that provide thirty percent of India's entire domestic oil production.

Backing up the Assam agitation are the demands for "independence" from the more tribal-based areas, such as Nagaland and Mizoram, where violence has also taken place. In all seven areas, brutal killings are reported every day.

Chinese backing for these political rebellions is so well documented that it is now common knowledge throughout India. Even radio broadcasts from China have expressed support for the rebels against the "repression" of the Gandhi government. Arms and money are also flowing into the area.

Recently a new element was introduced to the northeast situation when the Gandhi government revealed that the fanatical Hindu chauvinist organization RSS has become involved in the anti-government agitation. RSS was the leading constituent organization in the Janata Party government that came to power in 1977 in India, but which was routed in the national elections last year that returned Mrs. Gandhi to power. Nominally a "super-nationalist" organization, the RSS-dominated Janata government is known to have had extensive talks with China, Israel and South Africa while in power. All three of these nations worked together to develop nuclear weapons.

The northeast crisis has since December been a tremendous drain on the energies of the Gandhi government, due to both the economic impact and the danger to national unity and security. Following the recent elections, Mrs. Gandhi is expected to renew efforts for a negotiated settlement, all of which have been rejected up to now.

Strong economy needed

Overall, there is a widespread recognition throughout India that a strengthening of the national economy, nearly brought to its knees by the policies of the previous Janata government, is vital to counter the threats to India at this time. Short-term measures to get the economy moving are an immediate necessity. However, a long-term economic development plan to modernize the entire country is also an immediate priority, as this will enable India to become both a political and economic superpower for the cause of peace.

Exclusive Interview

Indira Gandhi talks to EIR about peace and development

On June 5, Indira Gandhi, the Prime Minister of India, granted this interview to Daniel Sneider, EIR Editor-in-Chief, in New Delhi.

Q: I would like to start with the situation in Assam because it is very difficult to get an accurate image from the press as to what exactly is going on. I would like your assessment of the situation now and what the government's policy is.

A: Well, there is an agitation there against the so-called foreigners. Ostensibly they say it is against those people who have come into India from Bangladesh or from Nepal, but in actual fact it is working against some Indian citizens who have come from other states as well, and citizens of Assam who are completely Assamese, who have lived in Assam for generations. It is one of those chauvinistic things that come up every now and then.

India is a developing country, and development has been rather uneven. It is obvious that where there is industry it is much easier for that area to grow and for people to get more jobs. We have a program for developing backward areas and we have made progress in it. But nevertheless we don't reach all places, and business people don't like putting up an industry where it is going to cost them more, either by way of transport, or other things.

Certain areas that have remained backward have benefited less from our scientific advances and Assam is one of them. But it is not the only one. Eastern Uttar



Photo: Sygma

Pradesh is in the same situation. Large parts of Orissa are so, perhaps even more than Assam. Almost every state has an area which is not developed. That's why we made a list of backward areas and backward districts.

Now we have this problem of people coming in from both sides of Pakistan. But whereas the rush from West Pakistan [large migration into the West of India at the time of the 1947 partition—ed.] was a torrent or a flood right in one state, here it has been a more gradual process. Many of them were being persecuted there. We accepted them, and we were accepting them up until 1960-61, when the government of India did take a step and said that we have to do something about these people.

Tribunals were set up to see that people were sent back after that. When Bangladesh came into existence, we had no formal agreement but we more or less agreed that—not at my level but at the junior ministers level—that those who have come have come, but from now on we have to be very strict. However, some of the people who had been deported have come back because the border is not the sort of border you can totally seal.

Now, why has this movement come up at the time it has? This is rather curious, and also the manner in which it has arisen. The problem was there, everybody knew about it. It was the Assamese themselves who were not terribly keen at that moment on implementing a solution. The central government was reminding them about this problem. They did not bother about it in the Parliamentary elections in 1977; they did not bother about it in the

assembly elections in 1978. Then, when the Janata government fell in Assam, a part of the Janata broke off and called itself the Assam Janata. Now that is the moment when this started. Now the Assam Janata people feel that it was those who had gone out, and whose government had been defeated—they are the ones who started this, thinking it might help them out.

It is not possible to say whether this is true or not, but this is the report, because the agitation was on for some time before our government came in, a minimum of months or so. This was the report we got when we came. By that time it had already spread.

This sort of thing, if you deal with it in the beginning, is much easier. Once it has spread, it becomes more and more difficult. Now, why it has popular support, is that the feeling is being spread among the people that if you throw out all of these people, then you will get more land, you will get more jobs. This is not going to work out that way in fact, but it is something that can arouse people's feelings, and may make them feel involved.

I've always dealt with all such things sympathetically, because I know that although such demands are unreasonable, there always is a base of genuine grievances. We are prepared to deal with the genuine grievance, which is one of economic development, the question of employment which they share with the whole of India. In fact, with almost the whole of the Third World, I would say. Nevertheless, something special has to be done for the northeast areas.

These areas do not have very good communication

and are in a difficult situation, even when you start development. It is a longer process than it would be on the plains. So, on that part of it, we took action immediately. We set up a committee of ministers. This does not mean putting off something, as some people think when you name a committee you put the problem off. Our experience was that Jammy and Kashmir had raised the same problem—things not being passed quickly by the center [central government—ed.].

During my previous regime, we had set up a small committee and any economic issues that came up, all of the people met immediately and took a decision on the spot, and they were very happy with this. When I came back, the first thing they said to me is, 'Look, this was not done in Janata time, so can you revive this?' So, we thought we would do a similar thing in Assam. Instead of decisionmaking from file to file, office to office, everybody meets, and either they say yes or no, but it's definite. Of course, there are proposals for specific projects which we are also looking at.

Now, with regard to the so-called foreigners, we want to make a clear distinction that those who have come after 1971, there is no doubt that they must all go. There is no controversy about this with any political party or with the Bangladesh government. The controversy starts about the others. The proposal made to the agitators was that, let us start this work. At the moment, nothing is being done, the tribunals are inactive, the local staff is not working. So, we wanted to start. While this process is going on, we shall meet simultaneously, to try to understand: a) the size of the problem; b) the human aspect. In theory, you can say that if somebody is born in India, he is an Indian citizen. But suppose you have old parents who were not born in India. What are you going to do, where are you going to push them out? We can't deal with them as statistics. We have to say that these are men, women and children and we don't want to keep a burden on Assam. But first, we must know the numbers, and we must know the type of problem. Then we must sit together and find a human settlement, so that nobody is harassed. I said to them clearly, do you want me to shoot these people? So of course, they said no, no. Then I said, where do they go? I'm not saying they shouldn't go anywhere, but it's something that has to be worked out. I can't just say I'm going to push them into Bangladesh if Bangladesh does not want them, or to any other state. So on these matters they (the students) have been really very unreasonable. They say no, you agree to this first, then we will see.

What happens when you agree to anything is that both of the political parties want to keep 1971 as the cutoff date. I have only taken 1971 as a starting point, not as a cutoff point. Then, somebody started talking about 1967, and immediately, the West Bengal govern-

ment and others started saying, 'Oh, she is doing something behind our back. She promised she wouldn't move from 1971.' So, it's extremely complicated from that angle, but it's not an insoluble problem.

Q: What about the question of foreign involvement?

A: Well, I was just coming to that. As I said, it is the general public who's involved, it is this kind of economic issue. And of course, they have done a lot of propaganda, that these people staying there means that Assamese culture is going to get drowned, which is not true. In fact, the people who are coming are being absorbed. They are speaking Assamese, they are not speaking their languages. In fact, in our census, we see that the number of Assamese speaking people should have gone down, but it hasn't. It has increased. So that far from drowning it, it has helped it blossom. Every other country does want new talent.

Now while the bulk of the students are also sincere, perhaps they have been affected by what is happening in other countries, and they feel that they should take the lead. From time to time they make a statement like, 'political parties are irrelevant.' And even in the last two days, they were angry that I met with the political parties to consult with them on the Assam situation. So that attitude is there. However, there are some other people. . . who are guiding those people, and who are motivating them, we don't know. But every time the students themselves have agreed to something they have gone back and one hour later have said, 'we are sorry.' They have made a suggestion to which we have agreed and then they have gone back on it. So this is what gives the feeling that there is somebody behind them.

Also, they seem to have large funds. In the beginning, some local people were giving funds, but they tell us they have not taken any money from them for many months. There is certain other circumstantial evidence and also previous experience. There is also a certain amount of rivalry there between groups.

Now, there are some elements who would like to introduce communal overtones. Some of them say it is the pure Assamese vs. the rest, and not specifically against the Bengalis (because) in British times there was no education in Assam, and only a few Assamese could go to Calcutta University. They were the ones who got educated. Almost all of the officials were Bengalis. So that feeling is also there. But now gradually, the Assamese are taking over from them. But most of our civil service cadres are rather mixed. They may be south Indian officials and we think that is a good thing for national integration.

Q: In terms of the communal element, I see in the press here some questions about the role of the RSS in partic-

ular, in terms of giving it a Hindu-Muslim character.

A: The RSS has been there, as everybody else. There is an anti-national element. It may be exceedingly small, but there are some people who bring out anti-Indian posters, and so on. Now, my grouse was that none of these people who are supporting the agitation—I am not accusing them of being anti-national—why don't they condemn that aspect of it, and those who are doing these things? But they are not. The RSS has been encouraging the agitation without providing a solution. And of course, even earlier their solution to it always is to have an exchange of population religion-wise, or something like that, which would be fatal to the unity and strength of the country.

Q: You have pointed out that this thing has accelerated somewhat in the period since your government came to power. Is there anything in looking at this which suggests a pattern of destabilization which perhaps may be similar to previous efforts that have taken place in the earlier part of this decade?

A: Those who are against us, they continue to be very virulently hostile. Now there is one thing to be hostile in your speech, or something, but it is another matter when you go beyond that. I don't know whether you have read the statement of the leader of one of the political parties when we won these elections. Now it has been a pretty close fight, some of our people have lost by only a couple of hundred votes, and some of their people have won by that. Now the contrast is that when they won, we did not say a word about rigging, although the victory was so

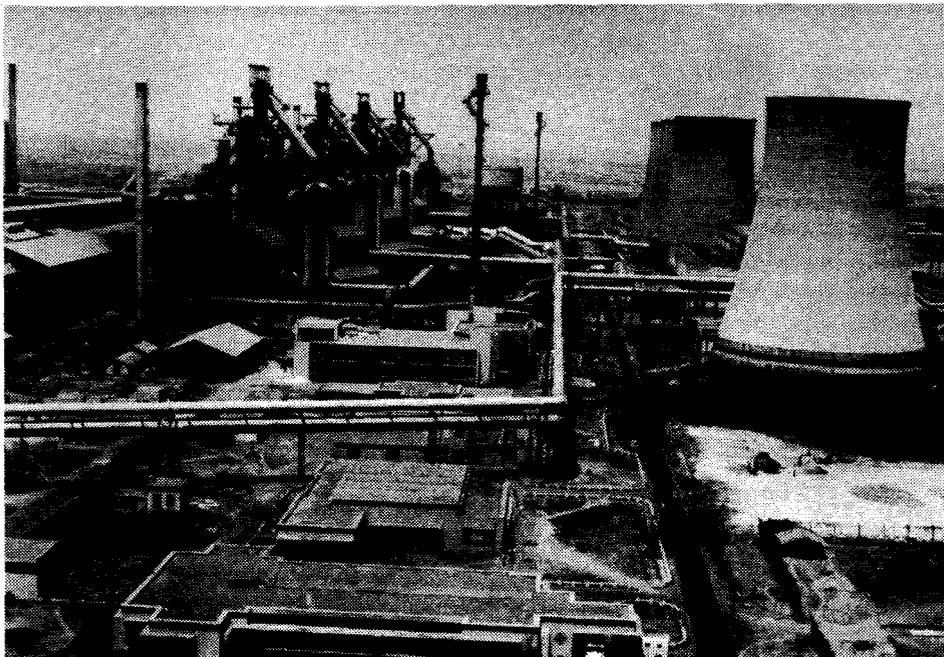
sweeping that it was not really believable. In some places, it was almost as though more people had voted than existed, and things like that. It is hard to imagine that in one place everybody would vote for the same candidate, and the other candidate would not get any votes. Anyway, this gentleman has said that now Parliament is irrelevant. Now you see that this is the sort of attitude that while they are winning the system is all right, but as soon as they don't win they start blaming the system.

Q: But also in terms of the foreign question. That was also on my mind.

A: The foreign element is very difficult to say, but I don't know if they have reconciled themselves to the changes here. Now certainly, most of the foreign press has not, and they continue their hostility. And, also some of the governments encourage elements which are so hostile.

One is the political hostility. You say we do not approve of the policy, and you put the facts. That is fair enough. But it seems some of them encourage people who are very viciously against, without having anything to back up what they are saying. And their statements are given tremendous publicity, whereas no reply is allowed.

Q: Let me take off from this press question. I have brought this copy of *Newsweek*. I don't know if you have seen this cover. This is the June 9, 'China's Military Liftoff,' coverage of *Newsweek*. But the implication both here and elsewhere is that a linkage is being made between the Chinese new military relationship with the



"I've always dealt with popular unrest sympathetically, because I know that although some demands are unreasonable, there always is a base of genuine grievance . . . which is one of economic development."

Durgapur steel plant, West Bengal.

U.S. and the recent Indo-Soviet arms deal.

A: Ours is not recent. I mean this talk was going on long before, even during the Janata time, because, you know, these things are not decided in a couple of months. We have finalized something that was on the anvil for quite a while, and I think most of it was done when Mr. Kosygin visited here in 1978.

Q: I am aware of that fact. What is your view on the Chinese role, the way the Chinese are viewing their role in Asia, and their relationship with the United States?

A: The Chinese want to strengthen themselves in every possible way. Now, if they can use the United States for this, they will use it. They *are* using it. The United States thought it could use China against the Soviet Union and they did. But it was counterproductive in this sense, that this is what has started the other reaction, because the Soviet Union is very much concerned about what they consider is a new movement to surround them. And, I think sometime or other the Chinese and the Soviet Union may make up. None of these things are permanent. We don't like anybody encouraging anybody.

Q: You have been speaking a lot in your campaign address, I notice even in your campaign in the Assembly elections, about the threat of a third world war, the possibility of the renewed cold war turning into a nuclear confrontation. What is your view of the importance of East-West detente for the developing sector?

A: Well, it is very important for us because we think that war is disastrous for anybody, but more so for countries like India, which desperately need peace to conduct our own economies. What I was saying is not that war is likely, but that our effort is to see that it is avoided.

Q: When President Giscard d'Estaing was here in January, there was a sense communicated both in verbal statements and in subsequent events of a common understanding between France and Europe and India and the developing sector of playing a role, perhaps even a role together, to preserve this kind of peace, and preserve conditions for development in the world. I'm wondering how you visualize India's role now, and how you see the European role in this period, particularly after the last few weeks. The Europeans, I think, have taken some very clear moves to preserve peace, at least in Europe.

A: Well, I think they also see that war is not in their interest. Each is worried about their own economy, how the international situation is going to affect their markets, their dealings with other countries.

Q: In terms of India's policy at this time, is there some sort of coordination, at least checking back and forth, as far as the initiatives that are being made from the Euro-

pean side, in the Middle East, and so forth?

A: It is more a question of keeping in touch. We agreed with the French that we would keep in touch. In Salisbury and Belgrade, I met a large number of people, practically night and day. While they were concerned about Afghanistan and Iran, they were also worried about their own countries, their economic difficulties, prices, and also the North-South situation.

Q: Is there a link in your mind on the necessity of modernization in the developing sector and the preservation of peace?

A: There is, of course, a link.

Q: As far as India is concerned, as far as the developing sector is concerned, how do you act to create the circumstances whereby large-scale development can take place?

A: Firstly, there should be peace and stability within the country, and then peace and stability around the country, and so on. Today's world is such that if there is a conflict anywhere, the waves are bound to touch most other countries. We in India are in a special delicate position, because in some ways we are among the poorest countries, and yet, we are also developed. So, we get the worst of both worlds, instead of getting the best. Take oil prices. In the more affluent countries, you can grouse about it, but they can pay finally whatever the price is. Now, we are not in a position to pay. Now, the developing countries, most of them also cannot pay, but their needs are very much smaller than ours. Now it is not such a large problem for them. For us, it is a very big problem. Now, our farmers are using large quantities of fertilizers and diesel for pump sets. They are average farmers, not just the big farmers. We are not wasting it (oil), but it is just that the size of the country and the size of the population creates a huge demand.

Q: You have just completed the Assembly elections and the Parliament opens shortly. What are the priorities of the government, particularly in terms of the economy?

A: First, to get the economy going. There has been stagnation. We have to encourage investment to increase production, we have to build up the distribution system for essential commodities, and one of the biggest bottlenecks was transport. We simply could not get coal to the factories, sugar to the markets, and things like that. Railways have improved, but still there is a gap. We have to take up again the special programs for the poorest and weaker sections of the population, because what happens in development—we are blamed for it but it is a natural law, there's nothing we can do—that whatever program you have, it is the better off people who benefit from it. If you have more technology it is those who can use that technology who are going to become richer. Now, if we

deny it to them, we are in a way cutting off our nose to spite our face. So, we have to balance it by doing something for the others. Although the benefit does seep through, as we have seen in the Punjab, that is, with the improvement of agriculture the rich farmers got richer, but so did the middle farmers and so did the smaller farmers, and finally the laborer. Their daily wage went up as well. So, it does percolate down.

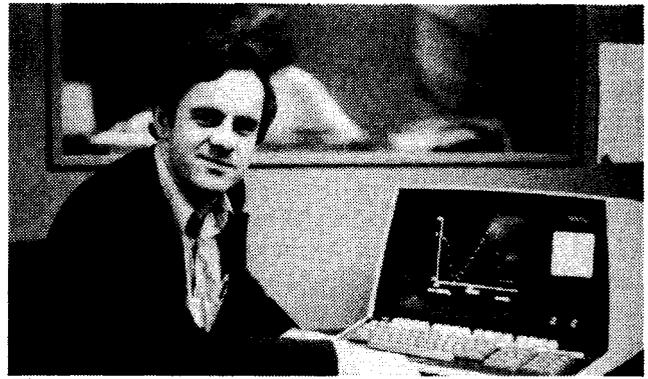
As I said, it is such a large country, there are large areas which have not benefited, and we must reform, where we give land to the landless. Then, in our twenty-point program we also propose building small houses for the homeless, and various things like that. If anything is lacking, we will take up new programs to provide it. Employment—we have certain programs, but at best they are patchwork, because employment can only come with greater development.

There is a constant quarrel going on. . . . On this again, the government immediately before mine felt that because we were encouraging industry, we were neglecting the farmers. This is not at all true, because most of our industry is based on agriculture or for the benefit of agriculture. In a place like the Punjab, bringing in machinery there has not led to unemployment. On the contrary, it has led to a shortage of labor. So all of these things are there.

The election has cut across different layers of the population in many places, but in this interim period, when we were not in power, caste-ism ruled very largely. It was always there, but had not played such an important part in politics. There is a general lack of will, a lack of thrust with everyone working together. Now, a lot of people who come from abroad, say that people here have been apathetic compared to what they see in Germany. So we have been able to build up that atmosphere. The year just before my defeat, people felt they were involved with India and everybody felt that it was their future, and it was not something in the air. So, we have to bring back that kind of feeling.

Q: Since I have been here, and talking to people in different parts of the country, there is an atmosphere of expectation.

A: Yes, you know it is the usual expectation, that somebody has come and something is going to happen from above, which simply cannot happen. At the most you can give a direction, you can give encouragement. What has to be done has to be done all along the line. If agriculture production in my time has doubled I did not go and dig the fields, but we gave a program. The farmers accepted it, and it yielded results. All that we can do is to try to help to the best of our ability, but they must have the feeling that they must take advantage of the programs that are made for their benefit.



The Fusion Energy Foundation's Dr. Uwe Parpart

Parpart tours India: 'Science is universal'

Special from New Wave by Leela Narayan

Beginning in mid-May, Dr. Uwe Parpart, Director of Research for the Fusion Energy Foundation, undertook a tour of India with Daniel Sneider, EIR's Editor-in-Chief. Dr. Parpart is also a contributing editor to EIR. Both men had addressed a conference May 6-7 in Frankfurt, West Germany, jointly sponsored by FEF and EIR under the title, "The Industrial Development of India—Its Potential, Its Necessity." That conference was devoted to a special programmatic report issued on the basis of the LaRouche-Riemann economic model, which outlined measures that could successfully achieve "economic superpower" status for India by the year 2020. The 40-year program, based on specific, high-technology development projects, focused on irrigation of agriculture in the Ganges-Brahmaputra region. It included an extensive treatment of Indian energy needs—emphasizing that nuclear power was absolutely indispensable—and proposed both educational and manpower development programs. Naturally arousing great interest in India, Dr. Parpart and Mr. Sneider were invited to undertake their current tour, with the goal of elaborating and clarifying the details of the programmatic proposal in the minds of Indian officials and the scientific community on the subcontinent. We publish here a report on Dr. Parpart's Indian lecture tour dispatched to EIR by Leela Narayan of New Wave, the influential Indian weekly newspaper.

Addressing the Indian National Science Academy and the Nehru Memorial Museum and Library here last

week, Dr. Uwe Parpart, director of research and development for the U.S.-based Fusion Energy Foundation, asserted that India today is best positioned in the entire developing sector to utilize the "vital inputs" of its economy to become "an industrial superpower by the next century."

Dr. Parpart's talks in the capital concluded a three week lecture tour of India which he himself has described as one of the most refreshing tours he has done in recent years. He addressed a variety of audiences in Hyderabad, Bombay, Bangalore, and New Delhi, speaking before hundreds of scientists, engineers, technicians, development planners, economists, and progressive-minded businessmen.

Two themes

There were two themes to his lectures, both provoking much thinking and questioning by his audiences. First, he presented the scientific community, through slides and detailed descriptions, the progress in the field of fusion energy development. The FEF has been carrying out a major educational campaign to acquaint both the layman and the scientist of the dramatic work being done to make controlled thermonuclear fusion the plentiful and commercially viable energy source of the near future.

His second theme was the FEF-initiated study on India's growth potential, "India in the Year 2020: An Industrial Superpower." The report asserts that India can, through concentrated and optimal management of three key resources, energy, water and skilled manpower, make the kind of development breakthrough in the next 40 years the way Japan, Germany, and the Soviet Union did during the last 100 years. The question in development, Parpart told his audiences, is not whether the country is too "unmanageable" or "vast," as it is fashionable to say these days, but does a country have enough skilled manpower in absolute terms to concentrate this on specific, time-bound project-linked breakthroughs. Of all the Third World, Parpart asserted, India is best positioned to "take-off."

To the scientists

Before 45 scientific-minded people at the Indian National Science Academy on June 6, Dr. Parpart gave a full briefing on the state of fusion energy. He gave the following timetable for making fusion a viable global energy source: by 1982-83, breakeven will be achieved on energy input and energy produced. The Princeton fusion achievements were one key step in this direction. By 1987-88, the completion of an engineering test facility is within reach, and in the last decade of the century, the reactor design and so forth achieved.

"Fusion is not only an energy source," Parpart as-

serted, "it is a revolution in technology, in disposal of nuclear waste, in chemical recycling and reprocessing and reducing materials to plasmas at the high temperatures in a fusion reactor. Lastly, fusion processes can directly crack water, making hydrogen a possible portable." He effectively debunked the "limits to growth" propaganda that has made scientists reluctant to fight for their views.

Parpart reminded the audience of the predictions and achievements of Dr. Homi Bhabha, founder of the Indian Atomic Energy program, and urged scientists to retake their role in policy-making for the country. The INSA itself is a body that was led by such eminent figures as Bhabha and Nobel Laureate C.V. Raman. "Science is universal," he told them. "Science is not for the colonies or the colonizers nor for the rich or the poor. Only if we view it from that standpoint does mankind have hope for the future."

Nehru Museum

Perhaps the impact of Parpart's lectures was most felt at the presentation to Nehru Memorial Museum and Library on June 7. The location was uniquely appropriate to the topic since the museum and library commemorate the life and work of India's first Prime Minister, Jawaharlal Nehru.

Parpart used Nehru's own ideas on development to communicate to the 70 person audience that India's nation-building efforts are not in vain. They are front-edge of the battle to develop the entire Third World. He warned that if India does not commit its resources to rapid industrialization in the face of its expanding population, the nation will be beset by uncontrollable chaos.

The lecture was followed by lengthy and lively discussion involving many members of the audience. The chairman of the lecture, Dr. Raga Ramanna, an eminent scientist associated with the nuclear program as well as the Indian Defense Ministry, best summed up the reactions in his concluding remarks. "I must say that Dr. Parpart has cheered us up quite a lot, especially living in Delhi, where one sometimes gets depressed about the progress being made. And then, you suddenly go abroad and come back and you find that the progress made in India is really enormous. When people like Dr. Parpart come along and tell us that this is so, it is very heartening. It is more heartening, because this is a thing that does not often happen, that somebody coming from abroad makes the case for nuclear energy. It is so popular to run it down in all its aspects, so, when a person who has thought about it sufficiently says that's your answer, well, I feel cheered."

Dr. Parpart's talk at the Nehru Memorial Museum and Library received wide coverage in the major Indian daily newspapers, including the *Times of India*, the *Statesman*, the *National Herald*, and the *Patriot*.

FEF proposals make headlines in India

The Statesman, June 8: Dr. Uwe Henke Parpart, Director of Research for the Fusion Energy Foundation of New York, said in Delhi on Saturday that the key to India's industrial development lay in . . . nuclear energy. . . .

Dr. Parpart said that India was rich in manpower, educated and skilled (and water resources). The country had achieved self-sufficiency in food grain production, and could well be an exporter in the near future. But, the country was poor in energy resources. . . .

India has got tremendous reserves of coal but its quality was not good in that 40 percent of it was just ash. And there are limits to which hydro-power can be developed. So, what was important for India was to identify the basis of energy on which development of industry could be based for the next four decades up to 2020, he said. . . .

Dr. Parpart said that one reason why India should identify and develop its future source of energy was that its population would be doubled by 2020. . . . If India fails to plan its energy development now there would be internal strife, unemployment, droughts and famine.

He said that at one time it used to be polemically said that "India's oil is its water." Time has now come for India to prove it by harnessing its immensely rich water resources and hydro-power. It was estimated that there existed in India a water level of 10 inches year-round. This meant that if this water resource was properly distributed it would lead to tremendous, all-round prosperity.

Times of India, June 8: Dynamic planning, decisions based on political will and high-technology, can make India a prosperous nation within the next forty years, according to Dr. Uwe Henke Parpart. . . .

Disagreeing with the Malthusian theories and the Club of Rome report on limits to growth, he hinted that India becoming an economic superpower was a feasible proposition in light of studies carried out by the Fusion Energy Foundation.

He made a strong plea for a new kind of approach to development and progress using sophisticated, modern technology. To become an industrial power by 2020 A.D. the country must utilize its extraordinarily high number of scientists and engineers, he said.

The Patriot, June 8: An American scientist and social philosopher, Dr. Uwe Henke Parpart, said in Delhi on Saturday that India could become an industrial superpower in the next four decades using its scientific and engineering manpower, and its natural water resources.

. . . He warned that if India did not go in for a very rapid development, it would be on the brink of disaster and internal strife within the next four decades

National Herald, June 8: In his vision of India in 2020, the population would have doubled and if problems of economic development of all the people were not taken into account seriously, "there was a disaster" awaiting the country. Here he underscored the importance of peace and its relationship to economic development.

The evening turned out to be a lively one, when many questions doubting the 'tantalizing vision' of Dr. Parpart were put. To a question as to how the dream which he was presenting could be achieved he said the real problem lay with investment to finance nuclear efforts in the country. In its effort to increase its nuclear potential, the country could always fall back on the help of France and the U.S.S.R., two countries willing to share expertise and offer help. Of course, the political component in this field could not be underestimated.

Times of India, May 30: For India's growth as an industrial superpower and for its own existence as a secure nation, it should return to the kind of strategy formulated by Pandit Nehru. Appropriate technologies, labor intensive processes, and non-involvement in heavy industry would not succeed in India.

This was the point stressed by Dr. Uwe Henke Parpart. . . .

Extolling the virtue of the slogan 'Atoms for Peace,' he recalled Dr. Homi Bhabha's prediction in 1956 that man would control thermonuclear reactions for the benefit of humanity in 25 years, became a reality in exactly as many years. . . .

He belittled the nuclear hazards, and said ninety-five percent of the world's nuclear waste is owing to military weapons and the contribution by civilians was very negligible.

India Express, May 30: Dr. Uwe Parpart . . . suggested in Bombay on Friday that India could not afford to neglect research on Fusion energy.

. . . Dr. Parpart said that India could march on the path of all-round development pursuing the policies laid down by the "visionary leader, Pandit Nehru."

He said that the problem of energy and development were interlinked. India could achieve its industrialization only because of the right policies in this regard implemented by Nehru.

The Mexican Republic vs. the Brandt Commission

by Criton Zoakos, Contributing Editor

The Mexican Republican system of industrial and national development must be urgently counterposed to the international obscenity presented as the "Brandt Commission" model for Third World Development, named after Willy Brandt, the internationally notorious drunkard and philanderer.

For those familiar with the epic history of Mexican republicanism, it is evident that the "Mexican model" for Third World development is separated from the Brandt Commission model by an unbridgeable gulf of differences of fundamental principles.

The Brandt Commission advocates the bridling and ultimately the subversion of national sovereignty. Mexican republicanism is the product of the efforts of its exceptional founding fathers who were philosophical men with a profound understanding of the fundamental moral primacy of national sovereignty.

The Brandt Commission advocates reliance on supranational economic regulatory bodies complementing the Mont Pelerin Society's concept of a world free market. Mexican republican doctrine and practice are firmly based on the brilliant traditions of the Neoplatonic dirigism of Colbert, Alexander Hamilton, Friedrich List, List's great Mexican contemporary Estevez de Antuñano, Lázaro de Cardeñas, Alvaro Obregón and others.

The Brandt Commission adopts assumptions of the legal matter of "private property" from the world outlook of the international oligarchy and its Mexican branch, the "encapuchados" (hooded ones, as former Mexican President Echeverria once called them) of the degenerate Monterrey Group. Mexican *Neoplatonic* re-

publicanism approaches the legal issue of private property in terms defined by Plato, Plethon, Colbert, Alexander Hamilton and Benito Juarez. "Private property" is national wealth which the nation has entrusted to individuals for the purpose of augmenting the interests of the nation. If such individuals fail to perform their assigned task, the nation has the right to take back that portion of national wealth it once entrusted to individual hands. This Neoplatonic concept is the guiding force behind the great Benito Juarez's epic struggle, the Reforma, including the historic Ley Lerdo and Ley Juarez.

"Appropriate technologies"

Finally, the Brandt Commission is attempting to facilitate the International Monetary Fund and World Bank's genocidal plans against the Third World by promoting the doctrine of "appropriate technologies," a rationalization for denying much-needed modern industrial technologies to the Third World. Mexican republicanism, on the other hand, was from its beginnings committed to the promotion and application of the most advanced technologies available in the world. More important, Mexican republicanism was the product of a group of heroic Neoplatonic leaders who were committed to the idea of educating and uplifting backward populations on a mass scale for the purpose of making accessible to such populations the great gifts of science, technology, and industry.

This is the true story of modern Mexican republicanism which counts among its *intellectual* founding fathers Erasmus of Rotterdam and his associates Juan Luis

Vives, Bishop Vasco de Quiroga, and other great Franciscan heirs to the great Aragonese of the 13th century, Raymond Lull. The *formal* founding fathers of Mexico, great international thinkers such as Miguel Hidalgo y Costilla, José María Morelos, Vicente Guerrero, and others were the direct heirs of the initial Neoplatonic network of Erasmus's Spanish friends who launched the project of creating, in Nueva España, a state of reason. What is best in the Mexican system today, traces its origins directly back to that Neoplatonic effort. It is by that method that Mexico, today, can claim that it has already traversed the path of development and nationhood that most developing nations are aspiring to today.

In short, a model for Third World development exists today, whose efficacy has been proven; it is the Mexican model. Unless Third World nations today follow and apply the general principles proven by the Mexican experience, there will be no Third World development. If the Brandt Commission and its associates at the Club of Rome, UNITAR, CEESTEM, Colegio de México and various other United Nations agencies succeed in selling to the Third World governments their pernicious "Brandt Commission model," the path for further disintegration and destabilization of the Third World will be wide open. Thus, the path of the Brandt Commission is that which leads straight toward World War III.

President López Portillo's European tour

This general historical observation has direct and urgent bearing upon the events which shaped Mexican President José López Portillo's recent tour to Western Europe. That important tour was undertaken, principally, on behalf of the Mexican president and his closest advisors' profound concern about the imminent danger of general thermonuclear war. Hours before his departure from Mexico City, López Portillo received a briefing from Mexican military intelligence indicating that the Carter administration has fully developed operational plans for using nuclear weapons as part of a contemplated attack against Cuba.

Upon his arrival in Paris, López Portillo announced to the press that his primary concern is the danger of world war. He then explained that the fundamental source of the current world war danger is the lack of economic and industrial development in the Third World. The purpose of his trip to Europe, and especially to France, was to consolidate a special comprehensive economic-political and diplomatic relationship between Mexico and France in particular, for a twin purpose: the strengthening of the Mexican current industrial-technological effort and the presentation, to the rest of the Third World governments, of the French-Mexican relationship, as a model for relations between industrially advanced and developing nations generally.

Halfway into the trip, López Portillo was confronted with the treason of his foreign minister, Jorge Castañeda, a careerist creature who owes his wretched soul to the Club of Rome and certain Jesuit circles in Mexico. López Portillo had instructed his foreign minister to organize the secondary details of the diplomatic tour around the central theme of the French-Mexican special relation that was about to emerge, while the president himself intended to devote his full attention to the serious work between himself, France's Valéry Giscard d'Estaing, and the Federal Republic of Germany's Helmut Schmidt. Instead, Jorge Castañeda, the foreign minister, while in Europe, involved himself in a widespread intrigue with the news agencies, Willy Brandt and Sweden's Olof Palme, designed to pressure López Portillo to publicly endorse the programs of the Brandt Commission.

López Portillo conducted himself as diplomatically as he could, and after an acrimonious stop in Canada, returned to Mexico City. The traditional celebrations which ordinarily greet the Mexican president's return from a journey abroad were abruptly canceled. Crowds of citizens did not gather either at the Square of the Constitution or at the sidewalks of the Paseo de la Reforma to greet the returning President. The trade union and farmer delegations were asked to cancel their visits of felicitation. President José López Portillo sat at the presidential compound of Los Piños contemplating the treason of his foreign minister and preparing to draw conclusions.

Jorge Castañeda and his friends

It is high time for this now. In the Republic of the United States of Mexico, the issue of foreign policy and the issue of internal security are very closely linked at this time. Jorge Castañeda, the foreign minister who opposes the "Mexican model" in foreign policy, is also a confederate of those forces within and outside of Mexico which, under the guidance of Zbigniew Brzezinski's National Security Council, are frantically working for the internal destabilization of Mexico.

Brzezinski and the international oligarchical forces behind the Brandt Commission have been planning the internal destabilization of Mexico ever since they successfully put the Ayatollah Khomeini in power in Iran. Their reason for wanting the destruction of the Mexican Republic now is that its existence, the existence of the Mexican example, represents a serious obstacle to the genocidal designs thinly concealed behind the activities of the Brandt Commission.

The Mexican foreign minister, a proponent of the Brandt Commission is a traitor working for the enemies of his country. But he is not alone within the Mexican government. The minister of human settlement, Ramirez Vasques, is a fellow traitor who is one of the principal

fundings of the Club of Rome's environmentalist movement within Mexico and who, through the environmentalist movement also finances various Jesuit-deployed terrorist groups.

The decisions that President López Portillo will make on the matter of his foreign minister's treason on matters of foreign policy will have enormous implications for the internal security and stability of Mexico.

The roots of Mexican republicanism

We agree with President López Portillo, that the industrial development of the Third World is now the critical issue of world war or peace facing mankind. As López Portillo well knows, but as many other leaders of developing nations do not fully realize, industrial development is not merely a matter of the physical transfer of machines and equipment for raw materials and semifinished goods. Those developing societies which are to receive the required transfers of technology also require to have their populations trained or in the process of being trained to handle modern scientific and industrial techniques. These populations must also be morally motivated with the desire to muster the required scientific and technological knowledge. For large populations to be thus morally motivated, political institutions are required which will institutionally organize the populations toward the attainment of such moral objectives. Hence the indispensable necessity of the Republic, composed of the spirit of republicanism among the ordinary citizens and the legally absolute concept of national sovereignty, the sovereign nation-state as a legal-political entity defined by its commitment to a single historical moral purpose.

The historical definition of the sovereign nation-state as a unity of moral purpose was first advanced by the great Platonic legal theorist Hugo Grotius who can be rightly called the intellectual father of the concept of the modern sovereign nation-state. Grotius is indispensable for understanding the Mexican Republic and the Republic of the United States, the two most advanced forms of Neoplatonic republicanism in the world.

Both Mexico and the United States represent nations forged from one single, simple, and profound moral purpose. For the founding fathers of both the U.S.A. and Mexico, this moral purpose is to serve the notion of Progress, the notion of Perfection of man, to promote within each of the two great republics the cause of man's liberty to intellectually and morally develop, in such a way as to make these two great republics act as examples and beacons to the rest of the world. Being such a beacon and example was the historical moral purpose around which the consciousness of nationhood was shaped in the two neighboring republics. It was this shared moral purpose which, out of Spaniards, mestizos, criollos, and Indians shaped the real, tangible concept of the *Mexican*,

The great men who built the Republic of Mexico

The Mexican Constitution

The crucial end result of the Mexican Revolution (1910-1917) was the establishment of a truly humanist Mexican Constitution based on the Idea of Progress. This was the crowning success of the faction associated with General Alvaro Obregon, a brilliant military commander, who went on to become President of Mexico in 1920.

Against formidable odds internally and a thoroughly hostile U.S. administration, Obregon began actually implementing the 1917 Constitution, with emphasis on enforcing the Constitutional prohibition of the Jesuit-controlled church involvement in politics and public education. On agrarian reform, Obregon was explicit: Mexican agriculture would be modeled on U.S. high-technology agribusiness as a sound base for industrialization.

The vigorous career of one of Mexico's foremost humanist leaders—whose policies set the basis for the expropriation of the nation's oil resources from British and British-controlled U.S. companies by President Lazaro Cardenas in 1938—was cut short by a Jesuit-deployed "crazed assassin." Obregon was shot and killed on the eve of his reelection as Mexican President in 1930.

The war of reform

Dominating the period of Mexican history known as the Reforma—roughly from the late 1850s to the early 1860s—is the figure of Benito Juarez, who fought and won a civil war and defeated invading Hapsburg forces to establish Mexico as a sovereign national Republic.



Miguel Hidalgo y Costilla



President Benito Juarez



General Alvaro Obregon

The life of Juarez is one of the most powerful inspirations for Mexicans and a living disproof of the Jesuit notion that "progress means ethnocide." Born of a poor Indian family in the wayward town of Oaxaca, in the mountains of Southeast Mexico, Juarez was educated by a Spanish family for whom he worked as an errand boy; his remarkably rapid development prompted his employers to send him to school where he eventually earned a law degree and went on to become an eminent jurist, then President.

The civil war known as the War of Reform (1858) was incited by agents of the Jesuit Order and fought over the implementation of three laws which together form the pillars of Mexico's national sovereignty; the Ley Juarez, the Ley Lerdo and the Ley Iglesias, directed largely at the then all-powerful Catholic Church. In one fell swoop, these laws respectively stripped the church and its officials of (1) legal immunity; (2) all land and the right to own land; and (3) the exaction of alms from the poor.

In 1862, at the height of the War of Reform, Great Britain launched the Tripartite Alliance invasion of Mexico on the pretext that Juarez, then president of Mexico operating from Vera Cruz, had declared a moratorium on all foreign debt. With nominal help from Spain, France's Napoleon III installed Austrian Hapsburg Maximilian on the "throne" of Mexico with a two-pronged objective: destroy Juarez and prevent a victory by the North in the ongoing Civil War in the United States.

Juarez finally clenched victory over Maximilian with the aid of Abraham Lincoln following Lincoln's successful defeat of the Confederate forces in the

United States. Maximilian was caught and shot in 1867.

Hidalgo's independence fight

On September 16, 1810, Miguel Hidalgo y Costilla, a priest educated in the best tradition of the Platonic Erasmian networks that arrived in Nueva España in the 16th century, called on the people of a small town in the south of Mexico to promulgate his famous Grito de Dolores, the Mexican equivalent of the U.S. Declaration of Independence. The Grito de Dolores marked the birth of Mexico's struggle to become a sovereign state, and until this day every President of Mexico celebrates Hidalgo's Grito de Dolores to commemorate September 16.

When Hidalgo was assassinated by the Jesuit-run Inquisition, José Maria Morelos y Pavon continued his struggle. In 1813, Morelos called the First National Congress. Two years later he was also killed by the Jesuits.

On October 4, 1824, the followers of Hidalgo and Morelos issued the first Federalist Constitution of the United States of Mexico. This constitution was influenced by the American Constitution and the nation-building concepts of George Washington. This period of Mexican history was marked by the strong influence of the Europeans, particularly the German and French humanists. The networks of Beethoven and Schiller extended to Mexico where gifted musicians, scientists, and poets, including the great Pavon, deepened the tradition of Mexican republicanism during this period.

a nationality totally devoid of ethnic or racial content. The existence of Mexican nationality is adequate proof of Hugo Grotius's doctrine of national sovereignty *as moral purpose*.

Contrary to the propaganda of the Jesuit Enlightenment, Jean Jacques Rousseau and Montesquieu have nothing to do with the shaping of either the Mexican Republic or of the United States of America.

The philosophical and legal principles of modern Mexican republicanism go back to the great struggles between the Platonic and Aristotelian elites in the continent of Europe during the 15th and 16th centuries. As the New World and the Far East were being opened up to European commerce, this vast newly opened domain of lands and peoples became the great arena in which the two great European factions sought marginal strategic advantage.

The Platonists were principally the vast networks of Erasmus, Luis Vives, Thomas More and others, and that faction in the Franciscan Order which continued the tradition of Roger Bacon and Raymond Lull. Their program was one of continuous scientific and industrial development as a means for the moral and intellectual perfection of man and a means for continuing God's eternal work of Creation. They based their political work on continuously evolving new pedagogies for the purpose of unlocking the creative potentials in backward populations.

The Aristotelians were principally the Dominican Order and the Society of Jesus, political instruments in the hands of the international oligarchy, the Hapsburgs, the Black Guelphs, the Fugger financiers and later the Genoese bankers, the Grimaldi, Spinola and Pallavicini.

For the new lands and the new peoples of the New World, the Dominicans and the Jesuits had only one program: pacification, looting, enslavement, and dependency. The Jesuits in fact invented a whole branch of pseudoscience, anthropology, in order to promulgate a peculiarly Jesuit doctrine, "cultural relativism," the doctrine of deliberately keeping backward populations backward, in the name of the right of backward cultures to resist civilization. If the Jesuits had their way, the Malthusian Aztecs would still be cutting out hearts in Mexico City.

The Mexican humanist republican tradition begins with the great Vasco de Quiroga, a member of the network of Platonists led by Erasmus and Luis Vives, who became the first Bishop of the Mexican province of Michoacán and there established a major educational project, a Neoplatonic academy dedicated to the task of creating a moral and intellectual elite from the indigenous populations.

The fiery Miguel Hidalgo y Costilla, the George Washington of Mexico, the man who issued forth the Grito de Dolores which still resounds around the world,

was an accomplished Platonist who chose to begin his intellectual career with a devastating attack against Aristotle in the form of a doctoral dissertation.

José María Morelos y Pavón, the military genius of Mexican independence and Hidalgo's successor, a poet in his own right and a Renaissance man, did all in his power to launch, under conditions of hideous warfare, the musical system of Mexico around the musician Elizaga who organized symphonic orchestras and musical societies for the performance of the great Beethoven's music throughout Mexico.

Around these exceptional individuals were gathered that special breed of men of ecumenical education, scientists, statesmen, generals, musicians and historians who created the Mexican Republic. It was to these people that Beethoven turned his thoughts when he composed his Seventh Symphony with its uniquely Mexican third movement.

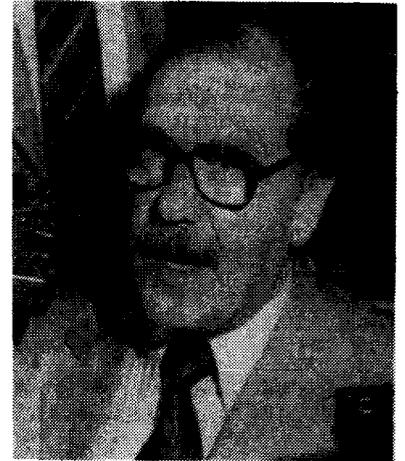
The enemy: Society of Jesus

Individuals of the same moral and intellectual caliber flanked the great effort of Benito Juárez to oust the Hapsburgs from Mexico. During Juárez's struggle there was probably no greater moral inspiration for the Mexican republicans than the two Germans, Friedrich Schiller and Ludwig van Beethoven.

No other nation in the developing sector of the world has the richness and depth of classical republican tradition as does Mexico. Cuba has no such model to offer to the world, nor Algeria, nor any other nation. The republican elite of India as an institution is the only other force in the world with a similar depth of humanist values but the population which surrounds the Indian elite has not assimilated the spirit of republicanism to such a profound degree as the Mexican population has.

The constant enemy of Mexican republicanism has been the Society of Jesus. It was the Jesuits who endeavored to destroy the work of Vasco de Quiroga. It was they who assassinated Miguel Hidalgo; they who butchered Morelos. It was the Jesuits who attempted to keep Maximilian Hapsburg in power against Benito Juárez; the Jesuits who subverted the republic during the Mexican Revolution in the beginning of the 20th century; the Jesuits who assassinated Alvaro Obregón.

So today, it is again the Jesuits. The Communist Party of Mexico is totally controlled by the Society of Jesus; the Mexican Socialist Workers Party is controlled by the Jesuits; the right-wing successor to the murderous Cristero Party is also totally Jesuit; the left-wing terrorist organizations from the "League of 23 September" to the "Debate Group," and so forth, are all controlled and deployed by the Jesuits. The Jesuit-controlled Archbishop of Cuernavaca and his "liberation theologians" are working intensively for the internal destabilization of the Mexican republic along the Khomeini model.



Who is Jorge Castañeda?

by Chris Curtis

Businessmen and diplomats should be warned that when they deal with Mexico through Mexican Foreign Minister Jorge Castañeda, they are in fact not dealing with a trusted representative of official Mexican policy. Shocking discrepancies in outlook appeared as recently as Castañeda's June 6 keynote address to the Annual Conference of the Council on Foreign Relations in New York, when it was expected he would be on his best behavior.

The following *EIR* special report details the origins and development of Mr. Castañeda's controversial career and performance as foreign minister. It is still fresh in many Mexican minds that Castañeda's immediate predecessor, Santiago Roel, was forced to resign in May 1979 for not representing Mexico's national interests abroad and substituting personal causes and projects for President López Portillo's directives.

Rumors in Mexico City have it that Castañeda may soon face the same fate as Roel. Controversy swirled into the open upon Castañeda's return from accompanying President López Portillo to Europe last month. Charges that Castañeda's actions in fact constituted treason, circulated by the Mexican Labor Party, found echo in Mexican official circles and the press. *Ovaciones*, a large-circulation Mexico City newspaper, reported June 3 that "a very critical situation is closing in on Foreign Minister Jorge Castañeda forged by a political faction in Mexico." The article concluded warning Castañeda that if the campaign gained force, he might "be forced to resign."

The charges concentrate on three areas:

- Castañeda has assumed the role of international spokesman and organizer for the Brandt Commission and against Mexican development policy.
- Castañeda is an intimate collaborator of the Club of Rome and Ervin Lazlo's UNITAR projects for a "one-world order" aimed at destroying the concept of nation-State sovereignty and a genocidal reduction of

the Third World populations. Castañeda's name appears in almost every single membership list of entities related to the U.N. International Law Association networks since the early 1950s.

- His active role in the international law circles plugs him directly into the international assassination bureau known as Permindex.

Jorge Castañeda, the Mexican Foreign Minister who postures as a defender of Mexican national interests, is in fact an important member of an international circle of feudalistic "blueblood" families dedicated to the destruction of the Mexican republic. The story of Mr. Castañeda's career in the field of international relations places him in contact with the so-called Black Nobility families of Europe, the families that directly oversee terrorism, assassinations, narcotics traffic, and environmentalism.

Castañeda is a "one-worldist," developing a 25-year career totally immersed in the United Nations' special brand of "international law." He was groomed for his position by former foreign minister Luis Padilla Nervo. Padilla Nervo was a founding ideologue of the United Nations apparatus, and worked closely with Julian Huxley to set up UNESCO. Through Padilla Nervo and his colleagues, Castañeda was rewarded with his first foreign service post, ambassador to Egypt.

From there, Castañeda moved straight up a U.N.-centered career. In 1956, he became vice president of the Juridic Commission of the U.N. General Assembly, assuming the presidency in 1958. He took a sub-ministry position in 1967, serving in the same period on the Commission of International Law at the United Nations. In 1973, he was named Mexico's chief delegate to the drafting of the U.N. Charter of Economic Rights and Duties of Nations, an initiative of then Mexican President Echeverría. Following a short stint as Undersecretary of Special Studies on International Issues, he directed the Mexican delegation to the Law of the Sea Confer-

ence in Geneva from 1975 until his naming to the Foreign Minister's post in May 1979.

It was during the last period that Castañeda became an official advisor to the Club of Rome and the Club of Rome's U.N. affiliate, the Institute for Training and Research (UNITAR). He participated in what was termed the "International Project Network" of the Club of Rome's "Goals for Mankind" project, a rewrite of its 1973 genocidal tract, "Limits to Growth," which advocated the reduction of world population to the 2 billion inhabitant level. As late as January 1979, just months before assuming the Foreign Minister post, he appeared in a UNITAR progress report as the director of research on "Exploitation of Seabed Resources" for the gigantic UNITAR/Club of Rome "Assessing the New International Economic Order" project.

The one-world lobby . . .

The "one-worldist" circles that built Castañeda's career have a strategic perspective that is aimed at destroying the sovereignty of the nation-state and the imposition of supranational institutions answering only to a self-selected international elite.

Huxley, Padilla Nervo, and others who set up the U.N. system pressed for quasi-legal devices that would penalize individual countries that sought to develop heavy industry and nuclear energy, or failed to curb economic and population growth.

When Castañeda was appointed special negotiator to the U.N. by Echeverria, he caused a scandal by proposing that adherence to the Charter of Economic Rights be backed up by internationally applied "penalties." In a 1974 volume of essays, he urged a new "globalism" which accepts "that there exist planetary priorities" higher than national sovereignty. The "globalism," he insists, demands "central international planning; international administration of certain services and resources; . . . and more advanced and efficient regulatory mechanisms." He calls for "obligatory accords" governing "control of movement of capital"; and an "obligatory international regimen" to "reconcile development with protection of the environment."

. . . And its unsavory connections

The promoters of limited sovereignty under one-world law are no pie-in-the-sky dreamers. They will murder to get their way, as indicated by the connection between the "international law" lobby and a strange entity called Permindex.

Permindex was a dummy corporation founded in Switzerland during the late 1950s as a cover for an international network of political assassins. Within five years, Permindex and its affiliates were responsible for more than 30 attempts against the life of French President Charles de Gaulle, the murder of Italian industrialist Enrico Mattei, and John F. Kennedy. French authorities

kicked Permindex out of France, and, through diplomatic pressure, succeeded in getting Permindex headquarters in Switzerland shut down. In 1963 and 1964, New Orleans District Attorney Jim Garrison named Permindex as complicit in the Kennedy assassination. By 1967, however, all of Garrison's Permindex-connected witnesses had either been murdered or had died under mysterious circumstances.

Who runs Permindex? Precisely the people who are the "authorities" in international law. Permindex was co-founded by Major Louis M. Bloomfield of Montreal. Bloomfield is the Canadian head of the International Law Association, the top one-world lobby.

Bloomfield's particular area of concentration and expertise is law of the sea—founding the ILA's "Law of the Sea Committee" in 1954, personally steering it for 20 years from a position on its board of directors, and positioning the Committee's work as the basis for the U.N. negotiations beginning in 1975.

Castañeda fits this profile strikingly. An associate member of the ILA, Castañeda is married straight into the Eastern European exile layers around Bloomfield. His wife is a Russian-born Canadian Zionist. He became head of Mexico's delegation to the Law of the Sea Conference, moving from previous work with Bloomfield's circles in the ILA, and in turn joined the Club of Rome work as a specialist in the law of the sea. His long-time right hand man is Alberto Szekely, son of a Rumanian Zionist and a top member of the Mexican branch of the International Law Association, specializing in law of the sea and international terrorism. Szekely is a close friend of Princeton professor Richard Falk, the zero-growth radical who was instrumental in bringing Khomeini to power in Iran and is now aiming "human rights" scandals against Mexico.

The Mexican ILA, like the Canadian branch, consists of local oligarchical families and their counterparts in the expatriate European nobility. For example, the president of the Mexican ILA is César Sepúlveda, an oligarch who is also a leading member of the Mexican Academy of Law. The honorary president of the Academy of Law is none other than Miguel Alemán, dean of Mexico's "high society," which includes not only the local families, but resident representatives of the House of Savoy and almost every other noble family in Italy. Alemán is reported to direct large-scale drug-running operations under cover of tourist promotion activities. Last year Alemán's Academy of Law granted a special award to Jacques Soustelle, the fascist French anthropologist and a member of Permindex.

The ILA circles are the Mexican "nobility"—the people who for generations have been running drugs, terrorism, and now, environmentalism in an effort to prevent Mexico from maturing into a fully-industrialized, modern republic. And one of their chief assets is Jorge Castañeda.

Castañeda speaks... but not for Mexico

On June 6, Mexican Foreign Minister Jorge Castañeda presented the keynote address to the Annual Conference of the Council on Foreign Relations in New York on the topic "Mexico and the United States: The Coming Decade."

The Council on Foreign Relations is the command center for advanced destabilization efforts against his nation, coordinated by CFR Project 1980s "human rights" director Richard Falk and leading CFR policy-makers Zbigniew Brzezinski and Henry Kissinger. He made no mention of such activities.

Despite adherence to López Portillo guidelines concerning a strict "oil for technology" framework of oil exports, Castañeda deviated from official Mexican policy in revealing ways in his prepared text. His informal remarks to the closed-door session have not been released, in conformity with CFR procedures for "confidentiality."

Here are key passages and commentary:

Castañeda: "We are determined to continue our efforts aimed at establishing and consolidating a New International Economic Order . . . The present-day crisis is, in fact, an expression of the inadequacy of a system based on the concentration of power and wealth; a system which presupposes and lends itself to situations of hegemony and subordination, opulence and misery."

Mexico: Castañeda's version of the New International Economic Order is the redistributionist, "North versus South" one of the Brandt Commission. It has nothing to do with Mexico's long-standing conception of a New International Economic Order as a *joint* project of North and South centered around development and transfer of advanced technology.

Castañeda "If Mexico seeks to contribute to the establishment of a new international order, it does so because, aside from intrinsic merit, it sees in that order a symbol of its own place in the world, its political independence and a definition of its international personality."

Mexico: Castañeda presents the New International Economic Order as a good idea which Mexico favors because it enhances Mexico's aspirations to play a more important role in world affairs. For López Portillo, as he repeated with the utmost emphasis at every stop of his recent European tour, the question of the New International Economic Order is the urgent question of averting imminent thermonuclear war. López Portillo's analysis in Europe of how regional conflicts are no longer circumscribed but lead rapidly to frontal confrontation of the superpowers reveals acute awareness of CFR and Trilateral Commission "controlled disintegration" policy. Castañeda made not the slightest allusion to this intense war-avoidance strategy.

Castañeda "With those countries that have reached a stage of development similar to that of Mexico, especially in the industrial field, we can cooperate closely in order to develop jointly technologies more adequate to our situation . . ."

Mexico: "Technologies more adequate to our situation" is code language from the Brandt Commission report. It means de-coupling from the most advanced technologies available and establishing "South-South," "horizontal" lines of interaction which feed confrontation between North and South.

Official Mexican policy is clear: the highest technologies available, from nuclear to ports, capital goods, steel and mechanized agriculture.

Castañeda: ". . . It goes without saying that our diversification policy in oil sales is not directed against the United States . . . The sale of oil to Europe and Japan or joint arrangements to process it and sell refined products, in fact alleviates pressures on those countries, . . . and decreases their dependence on Middle East and Iranian supplies . . . Politically, the dependence of Western European countries and Japan on Iranian and Middle Eastern oil had an indirect though important effect on their attitude regarding the imposition of economic sanctions on Iran, and continues to affect their outlook on the whole range of Middle East problems."

Mexico: This is the most extraordinary passage of the speech. He essentially asserts that Mexican policy is to help the Carter administration line up the Europeans and Japanese behind Carter confrontationist dictates, and to stop independent European initiatives to replace the Camp David fiasco.

Nothing could be further from actual Mexican policy, as asserted by López Portillo in Europe. López Portillo gave unconditional backing to French and West German war-avoidance initiatives, including Giscard's trip to Poland, and lambasted the "hegemonies" —the U.S. and the Soviet Union—for breakdown in detente.

Will Israel survive the Begin government?

by Mark Burdman

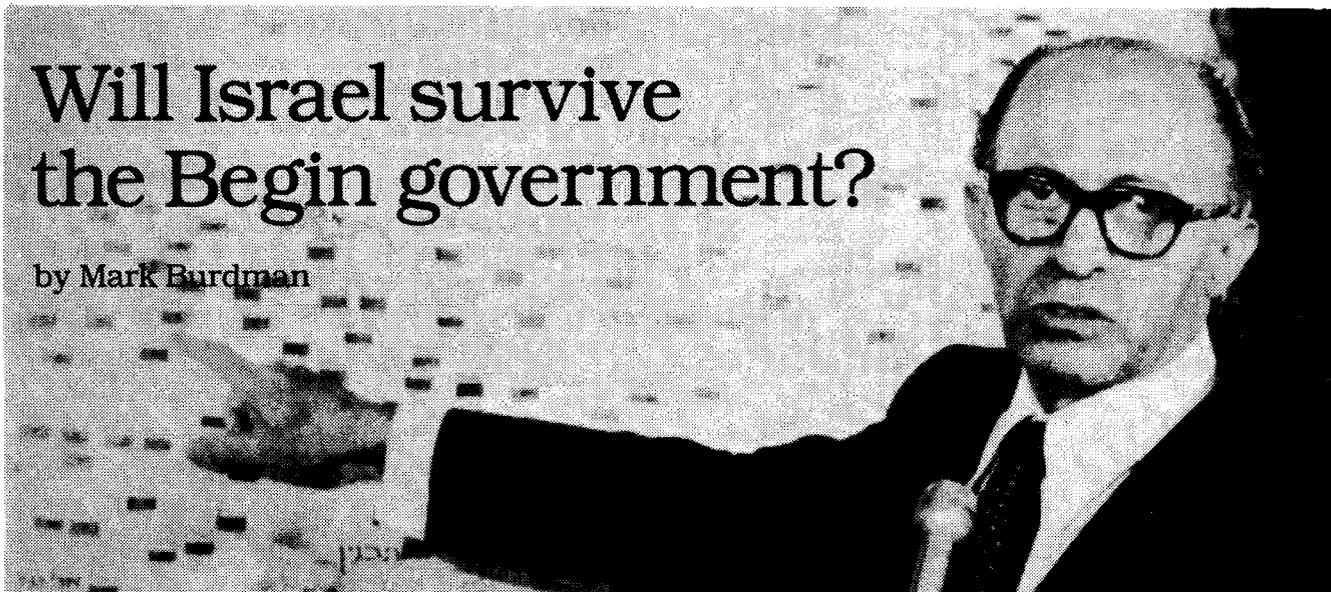


Photo: Il Settimanale

The escalating crisis in the occupied West Bank territory, coupled with the scandals and fanaticism emanating from the government of Israeli Prime Minister Menachem Begin, has brought Israel to the worst danger point in its history.

A leading political analyst at Israel's Hebrew University, Dr. Ehud Sprinzak, warned last week that Israel was entering a period identical in most respects to the French crisis over Algeria from 1959 to 1962. "Once you have such a war in which the main population—in France or in Israel—does not have a consensus, this may destroy the conscience of a nation," Sprinzak stated. "This conflict brought the Fourth Republic down. It may bring down the Israeli republic."

Such a possibility was underscored by statements made last week by Agriculture Minister Ariel Sharon, a supporter and suspected funder of the activities of the Gush Emunim settlers on the West Bank. "The security of Israel is more important than the Constitution," Sharon declared, according to the English-language *Jerusalem Post*.

High-level sources in the Israeli Liberal Party, a component party of the ruling Likud coalition, took Sharon's words seriously enough to obstruct for now Sharon's wish to succeed Ezer Weizman as Israel's Defense Minister, since "from that position, Sharon would gain the capability to carry out a coup d'état." A faction of the Liberals threatened to resign from the government if Begin appointed Sharon to this post.

With opinion polls confirming Begin's unpopularity, the government is now held together only by the venality and opportunism of leading political figures who have the power to bring down the coalition overnight. Exemplary of this problem is Yigal Yadin, deputy premier and

head of the Democratic Movement for Change. In a June 6 interview with the *Jerusalem Post*, Yadin stated: "I understand that people want this government to fall, and therefore they now focus most of their attention and attacks, on us—on me—because they know that we can bring it down [by withdrawing from the ruling coalition]. They think: the hell with Yadin; he could bring the government down. Why doesn't he do it? I understand that. . . . It would be easy enough for us to do that. . . . But, as I always say to my party, we have to think about the morning after the night before."

With Begin free to encourage them, the most wild-eyed extremist elements in Israel have gone on a mobilization. Not only has anti-Arab violence increased on the West Bank, but assassination threats are now being regularly issued against Israeli Jews, including members of Parliament, who advocate discussions with the Palestine Liberation Organization and the creation of a Palestinian state next to Israel.

Of course, many people are aware that Menachem Begin started his political career as an Irgun terrorist. Not so many people are aware of the much broader, "international terrorist" apparatus that is under the direct control of agencies outside Israel, and with which Begin's Irgun background is intimately mixed up. As developments on the West Bank establish, from the point of the resignation of defense minister Ezer Weizman, political developments within Israel have deprived the present government of any character but that of terrorists and assassins who are an adjunct of those foreign agencies. Menachem Begin's government, from all appearances, is an adjunct of the same organization that used the Secret Army Organization (OAS) of France and Algeria as a conduit to run assassination operations against French

President Charles de Gaulle in 1959-62. This organization, known as Permindex, was established by New York mobster lawyer Roy Cohn, by high-level factions in U.S. Army and Air Force intelligence, and by extremist Zionists and ex-Nazis. It has served as a protection and assassination agency in the service of various Italian, Swiss, and "Hapsburg" banking families in control of the international drug flow and much of the political terrorism that has erupted in Europe over the past few years.

A "Permindex angle" on the Begin government can begin to explain why so many scandals are festering around the government, and second, why none of these scandals has yet been allowed to emerge fully into the light of day. It also may explain, beyond the usual "ideological" interpretations of Begin's policies, why the government is acting in such kamikaze fashion. The Begin government, like certain Coptic families in Egypt and the Falangist-connected Maronite families in Lebanon, is acting as an integral part of the network put in place by Europe's "black nobility" to control its banking and crime interests in the vital Middle East region.

Preliminary investigations into the "Permindex angle" involve the following suggestive leads:

- Begin's mentor, Vladimir Jabotinsky, the 1920-1940 head of the extremist "Revisionist" wing of the Zionist movement, was cultivated by banking-related Italian and Swiss interests *before* he led Zionist operations in eastern Europe. Jabotinsky later became a close collaborator of the oligarchical House of Savoy interests in Mussolini's fascist Italy during the 1930s.

- In the 1950s, as the Algeria crisis began to peak, Begin's Herut Party, it has been charged, provided logistical support for the "wetwork" attempts against de Gaulle and his collaborators and for coup attempts against de Gaulle's government. These allegations came up in official French investigations into treasonable actions by Generals Challe, Bidault, et al., and of Hapsburg-connected anthropologist Jacques Soustelle, who has always maintained close ties to the Begin grouping. In the same general line of investigation, one banking source with intimate ties to the Hungarian wing of the "black nobility" reports that Begin had made a secret trip to North Africa during World War II and became acquainted with OAS-related networks at that time.

- Interest in the Begin-OAS connection has been reawakened by reports from France earlier this month that French authorities have decided to indict *in absentia* mobster Samuel Flatto-Sharon, currently a parliament member and Begin supporter in Israel's Knesset. Flatto-Sharon has been officially accused of embezzlement and other swindles relating to illegal real estate transactions,

but his activities are known to extend into drug-trafficking and support for terrorism. He has been named in the *Jerusalem Post*, the Knesset, and elsewhere in Israel as a lynchpin of organized crime. Nevertheless, the Begin government has stubbornly refused to investigate his activities. One explanation for this is that substantial sums of money accompanied Flatto-Sharon when he escaped from France in 1973 and came to Israel; the fund originated mainly from Basel, Switzerland, a primary base for Permindex laundering operations.

- Dirty money is also the source of suspicions surrounding Israel's Energy Minister, Yitzhak Moda'i. Before becoming active in the ruling Likud coalition, Moda'i managed the Israeli branch of Revlon International, a subsidiary of the giant ITT conglomerate often investigated by drug enforcement authorities for laundering drug revenues. A senior vice-president of Revlon International, Jay Bennett, was with the U.S. Air Force and with Schenley Inc. liquor interests during the 1947-55 period when these two entities were sponsoring Roy Cohn and various intelligence operations later incorporated into Permindex when the latter was created in 1959.

Weizman: 'Israel is bitter and depressed'

In his letter of resignation as Defense Minister of Israel, Ezer Weizman made some unusual public accusations which reveal the depth of the crisis in Israel. Excerpts from this letter follow:

"Herewith I submit my resignation as a member of the Israeli Cabinet. . . .

"On the issue of peace with Egypt, I am not reconciled with the government's policy. The path for strengthening and solidifying peace is obviously wide open, but has not been taken. . . . In its years of independence the Israeli nation has known its ups and downs, times of ebb and flow. However, it seems it has never been as bitter and depressed as it has been in the last few years. Its spirit did not collapse because of difficulties and miseries, but because of a leadership sowing gloom. . . . Through true leadership, another spirit could have been ignited and the vast potential we possess could have found its expressions. . . . There, Mr. Prime Minister, you had a rare opportunity. However, you missed it."

Italian elections: Cossiga finished?

by Vivian Freyre Zoakos

The highly disputed national Italian administrative elections of June 8-9 ended without providing the results hoped for by the ruling government coalition of Christian Democrats and Socialists led by Prime Minister Francesco Cossiga. Primarily these can be summed up in two points: neither did the Communists continue the downward slide at the polls that had plagued them since 1976, nor did the Socialist coalition partners show a dramatic increase in popularity despite strenuous back-room dealing.

Among Cossiga's backers who must have shared his disappointment is President Carter. Carter had personally intervened in the Christian Democratic conference of last February to throw American muscle behind Cossiga in a close race with the other contender for the premiership, Giulio Andreotti. The hope of Carter and other cothinkers such as the American Ambassador to Rome Richard Gardner—who is intermarried with the Venetian black nobility—centered on a major defeat for the Communist Party. Such a defeat would have inevitably set into motion inside the CP a process of opposition to the policies of its general secretary, Enrico Berlinguer, which would have soon ended with Berlinguer's removal from power.

Enrico Berlinguer is the primary tactical ally of Giulio Andreotti, Cossiga's leading factional opponent within the Christian Democracy. An end to Berlinguer would soon finish the political aspirations of Andreotti.

Carter's violent opposition to the latter can be understood when one considers that Andreotti is the acknowledged closest ally of West Germany and France inside Italy, sharing these countries' commitment to a policy of East-West cooperation and a revamped monetary system backed by gold.

In fact the Communist vote dropped by a mere .3 percent relative to the 1979 elections. The drop in votes came from the south, traditionally not a Communist stronghold. But in the center and north, the areas of historically core labor support for the CP, the Communist vote held steady. This was a definite reversal of the trend which saw the CP lose votes consistently ever since

the all-time highs of the 1975 and 1976 elections. The PCI thus remains the second largest party with 31.7 percent of the total vote, only 4.8 percent lower than the ruling Christian Democrats. It is now being widely acknowledged among press and insider political spokesmen that Berlinguer's position and his policy of alliance with the Andreotti layers will not be challenged.

The Socialists, Premier Cossiga's coalition partners, recovered .7 percent of the vote relative to 1975 and 2.7 percent with respect to 1979, leaving them with a 12.7 percent total. But even these figures are deceptive.

The Radical Party, Italy's infamous libertarians and founders of the Italian gay rights and environmentalist movements, deferred from running in these elections, instead making a deal with the Socialists. In exchange for Socialist support of their causes, the Radicals pledged their vote to the Socialist Party. In 1979, the combined tally of Socialist and Radical votes was 13.4 percent—a full .7 percent higher than the Socialists received this past weekend. Hence either the Radicals' constituency refused to vote Socialist or, more likely, there was a dramatic drop in the Socialist vote which was only partially made up by the Radicals' throwing their weight behind them.

The Christian Democrats went down from 38.1 percent in 1979 to 36.7 percent last weekend. This figure however is seldom cited in the press, including the international press which has generally supported Cossiga. What is typically only mentioned is that in comparison with 1975, when the Christian Democrats had slipped to a poor 35.2 percent, they have now made a recovery of 1.5 percent.

But the real significance of these elections must be sought behind the simple arithmetic of vote tallies. As the June 8 issue of the widely circulated magazine *l'Espresso* noted, the elections took place at a time when for the first time in the history of the Italian republic both the Prime Minister and the number two man of the Christian Democrats were facing serious criminal accusations.

Christian Democratic vice president Carlo Donat Cattin, who had played a key role in Cossiga's victory

over Andreotti at the party congress, was brought before the Parliament's Commission of Enquiry in May to answer charges that he had been complicit in aiding a known terrorist to escape the police. The individual in question was Donat Cattin's own son Marco, a prominent member of the Prima Linea terrorist gang and wanted for complicity in the 1978 kidnapping and murder of Aldo Moro, former Prime Minister and soon-to-be President of the Republic.

Furthermore, Premier Cossiga himself was named by a captured terrorist and close friend of the young Donat Cattin as the individual who abused his position to tip off Senator Donat Cattin that the police were closing in on his son. Cossiga is also accused by the same witness of having promised the Senator that he would do the utmost within his governmental powers to keep secret the deunciations made against Marco Donat Cattin as a terrorist leader.

In May, when Senator Donat Cattin was brought before the Parliamentary commission, he attempted to cover for Cossiga by putting out first one then another story as to how he learned that his son was being sought by the police. Eventually he broke down and began crying before the commissioners. The decision was then made by Cossiga and his allies in the Christian Democracy to make Donat Cattin the "fall guy", forcing him to resign his position as party vice president. At the same time Cossiga himself was brought before the Parliamentary commission so that they might decide whether sufficient evidence existed to put the prime minister through a formal impeachment proceeding. By a narrow margin, the commission absolved Cossiga. Not surprisingly, the vote split directly along party lines, with the Socialist and Christian Democratic commissioners absolving Cossiga. Their combined vote meant a majority.

It was fervently hoped at this time that the issue would be dropped and, with Donat Cattin sacrificed, the Cossiga government would be allowed to continue unmolested.

But the Communist Party under Berlinguer's direction refused to let the matter drop. The Communists announced that they would circulate a petition in Parliament to force impeachment proceedings to take place. For this to succeed 318 signatures are necessary, a figure easy for the PCI to meet.

Days after this announcement the election began. It is notable that Berlinguer's Christian Democratic ally, Giulio Andreotti, waited until the last possible moment before making a brief statement to the effect that the government should not be attacked in a period of international crisis. The Communists meanwhile focused its electoral campaign not against the Christian Democratic Party as such, but against Cossiga and his cronies. While the CP used the terrorist issue vigorously in the cam-

paign, they also broadened it to focus on the overall policies of the Cossiga administration, particularly in the area of foreign policy. Cossiga had in fact become, next to British Prime Minister Margaret Thatcher, the strongest supporter of President Carter's war-mongering policies in Europe. The Communists thus called for a return to progressive leadership within the ruling Christian Democrats, with the example of France and West Germany in foreign policy looming in the background. Italy, under Cossiga, had withdrawn itself from Europe to become instead the sole proponent on the continent of the extraordinarily dangerous doctrines of the American administration.

Because the vote was inconclusive in most ways, it is difficult to make easy predictions about the immediate future. If, for example, the Christian Democrats had lost heavily this would have been interpreted as a clear condemnation of Cossiga thus forcing his resignation. If the Communists had lost heavily, this would have been read as a definite attack on the Berlinguer leadership and possibly other CPers closer to the views of Cossiga would have emerged in the foreground. It is hardly worthwhile to speculate on a large Socialist victory, since the likelihood of such a situation was nil.

While Cossiga has been accused of helping a terrorist escape, the Socialist Party for the past year has been linked to the leading terrorist controllers of Italy and discredited among all but the hard core that makes up its permanent constituency plus the lumpenized and degenerate strata behind the Radicals. In point of fact, most of the Socialist Party leadership, and especially those now holding portfolios in the Cossiga coalition government, have the most unsavory connections to the "black nobility," to the "black nobility" intelligence service called the Jesuit Order by those who prefer to name it according to its church-cover, and to all that accompanies the "black nobility" and the Jesuits—drug-running, terrorism, assassination and political destabilization. Thus, no one knowing the truth of these matters was the least bit surprised to find one of the architects of this government, Donat Cattin, protecting a political assassin within his own family.

The Communists had vowed before the voting began to carry through with their impeachment of Cossiga when the elections had ended. If they do indeed follow through on this, with the background support of Andreotti and his allies among the carabinieri and anti-terror magistracy, they can collapse the government, discredit the allies of the Prime Minister, and help to reopen the channels for an eventual return to power of Giulio Andreotti or another member of his circles. The issue then is one of political dirigism, not arithmetic. And the future of Europe could depend on what these forces decide to do.

Sir Keith strikes out

Britain has largely been excluded from Mexico's aggressive foreign economic strategy and Sir Keith Joseph only managed to remind Mexicans why.

Even blasé Mexican journalists were left speechless last week during the Mexican visit of British industry minister Sir Keith Joseph—not because of his lordly pretensions—but because of what he said. Mexican officials were so shocked that one later commented, “Did that guy know what country he was speaking in?”

Sir Keith visited Mexico June 3-6 to express “England’s renewed interest in Mexico” and because he felt that England is “falling behind Europe” in economic cooperation with Mexico. It was hardly a successful exercise in “catch-up.”

Speaking out against Mexico’s industrialization plans, His Lordship declared that “by acquiring expensive and sophisticated technology which carries with it excessive indebtedness, Mexico is taking the wrong road.” The next day Mexican businessmen angrily refuted Sir Keith’s pompous advice. “Mexico’s development has superseded the stage of primary technology,” Juan José Moreno Sada, vice president of the National Chamber of Processing Industries (Canacindra) told the press. Questioned on Sir Joseph’s statements, Moreno Sada said, “the time is past when they used to sell us obsolete technology.” On the danger of indebting the country, Moreno Sada recommended that the British minister not worry: “We have to accept progress with all its advantages and risks . . .”

The minister met with President López Portillo, the commerce and foreign relations ministers, and the director of SIDERMEX, the state steel company. He also had a private dinner with the Mexican business sector where he gave them a lesson on how the English private sector, after World War II, was so confident that the state could solve all problems, that Britain suffered serious defeats in its struggle to win the peacetime economic war. He detailed how the businessmen, on becoming conscious of their role, ended up renouncing protectionism. The implied criticism of Mexico’s recent decision to stay out of GATT was not lost on his listeners, nor was it appreciated by the many businessmen who supported the decision.

As might be expected, Sir Keith left without getting even promises from the Mexican government. He said that he was not expecting anything concrete, but “only to create proper conditions” for British investments in ports, and especially in the second state of the Las Truchas steel complex (whose first part was partially built with British financing). Mexican political analysts suggested that although Sir Keith is “an extremely clever politician” and “very important in English politics,” agreements would not be signed until British foreign secretary Lord Carrington visits in August.

Nevertheless, a Mexican offi-

cial told the *EIR* that if Britain’s official policy toward Mexico is—as it indeed seems to be—the one expressed by its industry minister, it was a foregone conclusion that Lord Carrington’s visit will be a failure. With this assertion, the official proved what was already “general opinion” in Mexico: the Mexican government places its relations with Britain near the bottom of its priorities. This was shown on López Portillo’s recent trip to Europe, in which he studiously avoided the British Isles.

And, although Leopold Rothschild, director of N.M. Rothschild & Sons, Ltd., himself visited us last January to express the great interest of Britain’s biggest businessmen in investing to “help solve the bottlenecks” of the Mexican economy, England’s “new offensive” launched by Sir Keith has yet to gain much ground.

As one source put it, unless Lord Carrington were to pull out some sort of “blackmail,” “it’s hard to see how we could agree on important business deals.” Mexico’s ambassador in London, Juan José de Olloqui, disagrees with the pessimists. Before Joseph’s trip, he spoke repeatedly of “the great opportunity” Britain offered Mexico. But it’s worth recalling that Mr. de Olloqui was recently demoted from the Undersecretary of Foreign Relations post and parked at the Court of St. James to soften the blow.

What it all comes down to is that Mexico is a nation fully committed to the republican form of capitalist industrial development. What “great opportunity” could be offered by Britain? It is a country still feudalistic on all important issues.

What was Ramsey Clark doing in Iran?

Ramsey Clark is guilty of more than defying a government ban on travel to Iran; he's funneling Iranian money into terrorist groups in the United States.

Former Attorney General Ramsey Clark's "sympathy" for the Iranian dictatorship of Ayatollah Khomeini is nothing but a cover for Clark's coordination of terror in the U.S. and abroad, according to exiled Iranian sources.

The Free Voice of Iran, a clandestine radio broadcast into Iran by exiles opposing the Khomeini regime, issued a report on Clark's visit to Teheran earlier this month to attend a conference on the "crimes of America" against Iran under the Shah. The report notes that "immediately after the success of Khomeini, Clark has regularly received large sums of money through Iran's Ministry of Foreign Affairs to arrange pro-Khomeini demonstrations" in the United States. It notes that Clark has "used part of his millions of dollars he received to publish pro-Khomeini pamphlets and publications in the United States and has paid black groups, American communist and leftist student organizations in order to stage pro-Khomeini demonstrations."

These allegations plus Clark's known past history of supporting radical political groupings in the U.S. suggests that Clark may have been coordinating urban terror and civil unrest in the U.S. with his close confidant Foreign Minister Sadegh Ghotbzadeh. Since Clark is known to still maintain the post of White House Special Envoy to Iran, Clark's presence in

Iran further confirms *EIR's* past documentation of the fact that the Carter administration both installed and currently backs the fanatical Khomeini regime. Secretary of State Edmund Muskie confirmed that Clark was on a covert mission for the White House during an interview this week with Meet The Press where he termed Clark's trip "part of the process of indirect diplomacy now ongoing." The "outrage" expressed by both the administration and the major American media close to the White House over Clark's defiance of a government ban on travel to Iran is but a veil the Oval Office is attempting to hide behind.

The Free Voice of Iran which speaks for the republican opposition associated with former Prime Minister Shahpour Bakhtiar continued to beam its exposés of Clark and Ghotbzadeh throughout the course of the conference. This propagandistic offensive might have contributed to the striking denunciation of Clark as a "Rudolph Hess" style American agent by the Iranian media controlled by the powerful Islamic Republican Party (IRP). The IRP has been at odds with Ghotbzadeh and President Bani Sadr over control of Iran's disintegrating political structure.

On June 3, Free Voice of Iran reported that as early as 1963 "one of the persons who had very close connections with him (Ghotbzadeh) was Ramsey Clark, who

was the representative of Amnesty International in the affairs of Iran . . . Ghotbzadeh received a large salary from this organization also as an adviser to Ramsey Clark." The broadcast reports that prior to Ghotbzadeh becoming a "disciple" of Clark he was a protégé of State Department envoy Richard Cottom who put Ghotbzadeh "in contact" with British Intelligence.

Clark's funneling of Iranian money into dissident groups in the United States is only a small part of his subversive activities. The *EIR* will soon release a report documenting Clark's longtime control over urban youth gangs, terrorists and insurgents.

Democratic presidential candidate Lyndon LaRouche issued a public statement on Clark's treasonous voyage to Iran in which he asserted that if the truth were known of what Clark was really doing in Iran new revelations would surface with respect to international terror and the commensurate conspiracy to impose a "new dark age" for which Khomeini stands.

In recent days in Washington immigration and law enforcement agencies have begun to probe into the Clark deployment and illegal entry of prominent Iranians associated with the Khomeini regime into the U.S. Just before Clark arrived in Iran, two members of the Khomeini government, an advisor to Bani Sadr and the governor of the province of Azerbaijan, somehow entered the U.S. and attended a conference of the Muslim Student Association in Ohio. The MSA is a group which both Clark and Ghotbzadeh helped create out of which both American and foreign terrorists have emerged.

International Intelligence

Asia

Ohira's death reshapes LDP fight

The sudden death of Japanese Prime Minister Masayoshi Ohira June 11 has opened wider the opportunity for the coalition of former premiers Takeo Miki and Takeo Fukuda to regain control of Japanese policy. Prior to his death, Ohira and his "dirty money" ally, former Prime Minister Kakkuei Tanaka, still had the upper hand in determining Ohira's successor. Business leaders who opposed Ohira's toadying to Washington had feared that turmoil within the ruling Liberal Democratic Party (LDP) would wreck the party's thin majority in the June 22 elections.

Following the death of Ohira, Henry Kissinger's "favorite Japanese," the situation has opened up. There is no clear successor for control over Ohira's faction, not even Trilateral Commission-supported Kiichi Miyazawa; and the faction's alliance with Tanaka is also weakened. The business choice for prime minister appears to be Toshio Komoto, candidate of the Miki-Fukuda faction and a strong supporter of fusion power development and industrial growth.

State Department Undersecretary for East Asian and Pacific Affairs Richard Holbrooke commented on the Prime Minister's death: "We may have valued him more than his countrymen." Washington will push hard to install Miyazawa as Ohira's successor.

Middle East

New violence threatens West Bank

Two weeks after assassination attempts against leading Arab mayors and political figures, the West Bank is on the brink of renewed, escalated violence.

During the past days, incidents have occurred presaging such violence, including a sniper-shooting of an Israeli policeman and the discovery of several land mines in densely populated areas. Israeli army units have also made their first incursion into Jordan in almost a decade to the east of the occupied territory, in pursuit of alleged terrorists.

According to the June, 1980 *Le Monde Diplomatique* of France, extremist elements in the Gush Emunim fanatic movement, with covert support from the government of Menachem Begin, are trying to engineer a master scheme in which hundreds of thousands of Arabs would be forcibly expelled from the West Bank.

According to the paper, many Gush leaders "hope to create an atmosphere of unrest that would facilitate the expulsion of the Palestinians from the territories. Appeals for the eviction of the inhabitants of the territories are no longer taboo."

Gush Emunim leader Hanan Porat said: "Riots between Jews and Arabs will no longer be avoided. These riots will prove that Jews and Arabs are not capable of living together and will lead to the expulsion of all the Arabs."

According to *Le Monde Diplomatique*, certain Gush leaders hope that "the Cold War becomes definitively established in the Middle East," since then "it would be possible to provoke chain reactions that would end in the 'departure' of the inhabitants of the occupied territories."

General Aharon Yariv, a former head of Israeli military intelligence, recently revealed the existence of "certain projects on the part of the militant extremists" which involve "utilizing the situation of war to expel 700,000 or 800,000 Arabs from the occupied territories." Yariv has evidence that "certain means that would permit the realization of such projects" have recently been put into effect.

The French paper notes that "it would be erroneous to believe that the Gush Emunim is only a group of dissidents. It enjoys the support of Menachem Begin and of several of his ministers led by General Sharon."

Israel economic situation 'ripe for a coup'

Israel's economic situation has entered a phase "which many political analysts would describe as theoretically ripe for a coup," the London *Times* reported June 11.

In an article entitled, "Is Israel's Economy Out of Control?" *Times* reporter Christopher Walker notes that the release of recent economic indicators by Israel's central bank have shown that "the annual inflation rate was now well over 120 percent and that Israel had overtaken Argentina to lead the world inflation league."

The crisis has been exacerbated by the insistence of Israel's annexationist Finance Minister, Yigal Hurwitz, that Israel keep up high levels of spending "devoted to expanding costly Jewish settlements on occupied Arab land." Coupled with hyperinflationary money-printing devices and an astronomical defense budget this has created a situation in which Israeli citizens have been forced to make "moonlighting into a national pastime."

Walker notes that Hurwitz's answer to the just-released inflation statistics has been to "order a further round of budget cuts from ministries which had agreed on their final allocations for 1980 only a few weeks before." He adds: "There is a growing body of responsible economic opinion now convinced that until the average Israeli is made to suffer the effects of the high level of inflation more fully, little result can be expected from the continuing struggle to eliminate it."

Europe

Schmidt: Europe key to peace

Europe, and particularly the two German states, have an important contri-

Briefly

bution to make toward ensuring world peace, said West German Chancellor Helmut Schmidt in a speech in Essen June 9. Schmidt was addressing a congress of the Social Democratic Party, kicking off the election campaigns.

Schmidt declared that especially since the Soviet invasion of Afghanistan, tensions in the Third World could create a superpower conflict that would quickly spread to Europe. Therefore, Europe must work to bring about a "new world security system" to prevent war. The Chancellor praised the role played by his East German counterpart Erich Honecker, who made a speech last fall that was similar to what Schmidt himself was saying: that never again should war be launched from German soil. Relations between the two German states are by no means confined to mere legal or economic matters, said Schmidt, since there is also a cultural affinity that has not been lost despite the division of Germany.

The Chancellor said that when he goes to Moscow June 30, he will discuss his proposal for a freeze on the deployment of medium-range nuclear missiles in Europe, even though so far the idea has been rejected by both the Soviet Union and the United States.

N-Bomb research leads to civilian breakthrough

French scientists working on neutron bomb experiments and testing in the Pacific island of Muroroa have achieved an important scientific breakthrough applicable to civilian nuclear power, according to exclusive reports in *Le Quotidien de Paris* June 7-8. The report comes in the context of a debate over whether to produce tactical neutron bombs, a proposal opposed by the traditionalist military thinkers as completely inappropriate given Soviet military doctrine.

The reported advance would remove all limitations on the scale at which pure neutron bombs can be generated. While the impact of this development on stra-

tegic thermonuclear war fighting is still debated, most relevant for France is that this breakthrough can be used to generate fissile fuel for ordinary nuclear fission reactors, very cheaply and in unlimited quantities.

The neutron technology would permit France to use its known uranium reserves—which will be rapidly used up in the country's extremely ambitious program for the production of nuclear electricity—with maximum efficiency. While ordinarily less than 1 percent of uranium ore is converted into fissionable fuel with existing technology, bombardment with neutrons makes possible near 100 percent conversion at much lower costs.

French general ridicules N-bomb

Entering the debate over whether to begin production of the neutron bomb in France, General Pierre Gallois, who contributed to France's military strategy under Charles de Gaulle, warned recently: "The neutron bomb is a form of Maginot Line . . . It is a typical idea of generals who want to fight the 1940 war over again in 1980."

General Gallois argued Soviet military doctrine rendered a neutron bomb, designed as an antitank weapon for use in a conventional war or "limited" nuclear conflict with the U.S.S.R., totally ineffective. The *Washington Post* reported June 7, "He pointed out that Soviet military doctrine does not involve the massing of tanks for breakthroughs as in the German blitzkrieg tank tactics of World War II. Soviet doctrine involves the use of tanks to control already conquered terrain after the surrender or the collapse of the adversary following a strategic nuclear strike."

General Gallois's remarks followed the proposals of various military figures and an official report from President Giscard's electoral coalition, the UDF, calling for increased reliance on tactical nuclear weapons, in particular the neutron bomb.

● **THE SIBERIAN** division of the Soviet Academy of Science outlined in the June 8 issue of *Izvestia* the Siberian "think big" approach to Soviet economic development, emphasizing large-scale integrated industrial projects. The article was written by Academician V. Koptug, whose predecessor G. Marshuk now heads the U.S.S.R.'s State Committee on Science and Technology.

● **A FRENCHMAN**, internationally known as a commentator and veteran Atlanticist remarked June 12 to *EIR*: "Americans are so inferior to the Russians that they have nothing in their pants." The number-one discussion throughout Europe, he said, is "whether the U.S. empire is dying."

● **MEXICO** has signed a trade protocol with East Germany envisaging a four-fold expansion of trade by 1982 period. The agreement includes establishment of joint ventures in third countries.

● **DR. V.K. ROHATGI** of India's Babha Atomic Research Center (BARC) has reported that in May, an Indian-manufactured magnetohydrodynamic device was successfully tested at Soviet facilities, paving the way for efficient use of India's abundant coal reserves. The next MHD test phase is establishment of a pilot plant similar to the Soviets' U-25, followed by a commercial plant at Tiruchi in the state of Tamil Nadu.

● **WORLD BANK** sources close to Robert McNamara, the bank's outgoing president, refused to confirm or deny reports that the former Defense Secretary announced his early retirement June 9 because he intends to enter the private sector, specifically the guano industry.

The Democrats revolt against Jimmy Carter

by Kathleen Murphy

At his weekly press conference June 7, the powerful Senate Majority Leader Robert Byrd (D-W.Va.) cautioned reporters “not to jump to conclusions the day or week after the primaries are over” about who will ultimately become the Democratic presidential candidate. “At this point, anything is conceivable,” Byrd said, despite President Carter’s technical lock on the nomination.

Byrd’s comments accurately reflect the pandemonium which has broken out in the party’s ranks over the last two weeks, as it has become inescapably clear that a Carter candidacy not only spells certain defeat in the November presidential elections, but also implies a continued commitment to policies that have brought the country to the brink of economic and strategic disaster.

Party regulars as well as the “fixers”—the Eastern Establishment elite that has traditionally rigged both the Republican and Democratic nominations—are now working overtime to deny Carter the nomination, while casting desperately about for a viable substitute.

Since the primaries ended “Super Tuesday,” June 3, Carter has been hit with steadily intensifying attacks from the media, Congress, and key constituencies within his own party. This, in turn, is feeding into growing popular support for an open Democratic Party convention.

With the Eastern elites now committed to Carter’s political demise, their press outlets have been going after Carter with a degree of open contempt not seen since Watergate. In addition to suddenly reporting the actual extent of public opposition to Carter, the media is also

attempting to convince the President he will lose to Reagan in November. Knowledgeable sources say this is the only way to force Carter out of the race.

Both the *New York Times* and the *Baltimore Sun*, for instance, carried similar articles in their June 8 editions which concluded, on the basis of analyzing the primary results, that Carter would lose to Ronald Reagan several states essential to a November victory, including California, Pennsylvania, Texas, Ohio, Florida, and possibly New York.

More immediate, however, is the revolt against Carter policy which is spreading throughout the Democratic Party.

Congress has launched a virtual guerrilla war on Carter’s economic policy, which it kicked off last week by defiantly rejecting Carter’s proposed oil import surcharge. As the *Washington Post* put it: “A Democratic Congress just didn’t override the Democratic president for the first time in 28 years; it registered a gesture of contempt toward him. That’s more than defeat; it’s a humiliation.”

A core group of senators, led by Byrd, are now aiming at the heart of Carter’s anti-inflation program: his tight-money policy. In a statement issued June 10, Byrd urged the administration to pressure the Federal Reserve Board into removing the credit restraints it had imposed in March. The day before, House Banking Committee chairman Henry Reuss (D-Wisc.), who had called for Carter to withdraw from the presidential race two months ago, similarly demanded that the administration lift the credit restraints. Reuss warned that unless

this were done, he would personally see to it that Congress repealed the Credit Control Act of 1969.

The Senate has already repealed the act on the grounds that, as one Democratic senator put it last week, "it has contributed greatly to the current recession."

Significantly, with Congress blocking most of his major legislative proposals, Carter is being forced to rely more and more on the extraordinary "emergency powers" granted the President by the Credit Control Act.

Thus, Congress's threat to repeal the act entirely, as well as other congressional moves against the White House, would deprive Carter of his last prop. This will heighten his sense of isolation and political immobility and force him into the petty, paranoid reactions that his opponents are accustomed to using against him.

Carter's method of curing inflation by forcing unemployment up toward the 10 percent mark and withholding vital credit from U.S. industry is not the only crucial policy area that has provoked congressional action. The patent lack of a competent national defense strategy, brought home hard by the Iran rescue mission debacle, has panicked spokesmen for the more reality-rooted military traditionalists into taking on the Carter administration's military policy. They are attacking the

rescue mission, his defense budget, his renomination of General Jones as Joint Chiefs chairman, and his refusal to reinstitute the draft in place of the All-Volunteer Force catastrophe.

Out of the Rose Garden, into the briar patch

The anti-Carter sentiment in Congress is just a pale reflection of the overall mood in the party and the country at large. Carter got a bitter taste of it personally when he hit the campaign trail June 10.

Even before he left Washington, Carter received a preview of what to expect when he met with the Congressional Black Caucus June 9. Though details of their discussions have not been revealed, caucus spokesman Cardiss Collins (D-Ill.) told reporters afterwards: "We have come away with a feeling of real disappointment, disappointment because we feel there are two ships passing in the night."

Asserting that Mr. Carter did not fully understand "the intensity of the situation" in the country, Rep. Collins said that the caucus would meet with Carter in two weeks to see if he is willing to realign his economic policies. If not, she threatened, the black representatives

The press on Carter

A sampling of national press coverage of President Carter follows:

Washington Post, June 8, Columnist Haynes Johnson:

To report that all's not well along the Potomac is a bit like telling someone strapped in the electric chair that the forthcoming shock might hurt. But even in these sullen times the sense of disarray between Capitol Hill and the White House has to be seen to be believed.

A Democratic Congress didn't just override the veto of a Democratic President Friday for the first time in 28 years; it registered a gesture of contempt toward him. . . . That's more than a defeat, it's a humiliation.

. . . A careful look at the political map today shows Carter in peril in virtually every section of the country, including his native South. . . .

New York Times, June 6, op-ed by Tom Wicker:

The final primary round on Super Tuesday confirmed what has been apparent for weeks—that Democrats are profoundly unhappy about nominating

Jimmy Carter or Edward Kennedy, so much so that many threaten to bolt either candidate in the fall. . . .

The hard truths exposed by that day of eight primaries are . . . Mr. Carter came out looking like a basket case and Mr. Kennedy like a welfare case.

New York Times, June 6, "Europe Looks Askance at Choice for U.S. President," by R.W. Apple, Jr.:

The *Spectator*, a conservative British weekly, carries in its current issue a long editorial assessing the prospect of a Presidential race between Carter and Reagan.

"What a choice!" says the headline over the piece—and that summed up the mood in Western Europe as the primary season came to an end this week. With some exceptions, Europeans consider the nominating process insanely complex, and they view the apparent victors as political pygmies unfit to lead the Western alliance. . . .

The head of one of France's largest corporations said of the United States, "you lack a man." Francesco Izzo, an assistant at Naples University, commented: "There is no choice; they are both shallow persons." And Claude Monnier, a prominent Swiss journalist, remarked that "many Europeans ask with stupefaction how the biggest and richest power in the world is reduced to nominating for the country's highest position two such weak personalities."

would withdraw their support from the President.

Leaders of the black community who gathered to hear Carter defend his urban policy were equally hostile. "I don't agree with his budget," NAACP national director Benjamin Hooks said after Carter's speech. "I still think his budget has impacted on the poor."

On the first stop of his tour, Miami, Carter was greeted by hundreds of booing demonstrators carrying placards which read: "Hey, Mr. Peanut Man, we need more peanuts." Recently torn apart by violent riots, Miami officials, too, were not in the mood to hear Carter self-righteously warn, "It would be a very serious mistake to think the federal government would pick up the entire tab for riot relief." Miami Mayor Maurice Ferre publicly termed Carter's tight-fisted aid offers "bland pabulum, a Gerber's delight," while the city's major newspaper, the *Miami Herald*, carried a lead editorial titled "Carter's Visit Short, Empty." Comparing it to a golf trip to the city by President Warren G. Harding in the 1920s, columnist Charles Whited wrote: "As the dust settles Monday night following Jimmy Carter's quick blitz of riot-shaky Miami, one's first reaction was that Harding's visit had more substance. At least he had a score."

While Carter's next stop, the annual Mayors Conference in Seattle, netted him an endorsement by the Democratic attendees, reports from the conference indicate that Carter's aides had to resort to federal funds cutoffs in order to secure it. The mayors, to his obvious discomfort, sat on their hands when Carter unveiled a new youth jobs program in his speech.

Anybody-but-Carter

While it is clear that most Democrats are lining up in the anybody-but-Carter column, the real unresolved question is who will replace him as the party's nominee. Every candidate mooted in the major press so far is unacceptable to one or another of the important Democratic Party interest groups.

Spokesmen for conservative Democrats are saying that the two options most favored by the East Coast liberal elite, Muskie and Mondale, are out of the question. As one insider put it: "There are people who want Carter out . . . but their strategy is to work out a deal. Mondale is being backed by the same people as Carter, as is Muskie. We can't accept either because it means the same policies and the same general danger of war." Sen. Henry Jackson (D-Wash.), another potential contender, is unacceptable to the liberal wing of the party.

This closed-circuit personnel search within the Democratic Party has done little to bring the nation face to face with the critical economic and foreign policy issues that must shape 1980 presidential politics if the nation is to recover from the Carter debacle. Just now, the boys in the back room at the Council on Foreign Relations are trying to keep things in the back-room.

Congress hits Carter on military policy

When Senator John Tower told a nationwide television audience June 8 that the Senate Armed Services Committee on which he sits should investigate the false alarms sounded last week by the U.S. air defense network's computer system, Capitol Hill was already abuzz with rumors that the computer's behavior was no accident. The alarms indicated falsely that a Soviet nuclear attack was underway, U.S. forces being placed on high alert until the report was "corrected."

The computer "errors," June 3 and again June 6, came as the administration was drastically foreshortening the timetable on its "China card" policy by publicly wining-and-dining the chief of the Chinese People's Liberation Army—and announcing sales of military equipment to Peking for the first time. Some of that equipment is considered an aid to Chinese "nuclearization," which the Soviet Union has repeatedly indicated it will not tolerate, as a matter of Soviet national security.

Speculation that the computer-errors were actually "simulations" ordered by administration officials were fueled when General David Jones, Chairman of the Joint Chiefs of Staff, declared they had served a "useful function," because they showed the Soviet Union that the United States is prepared to take action if necessary.

But elite Eastern Establishment policymakers are worried about the fact that, contrary to Jones' unsettling statement, the United States absolutely is not prepared to take action if necessary—U.S. military capability is very badly eroded, and under Carter military and defense-spending proposals, will only get worse. On cue from the Eastern press, Congressmen began to attack the administration's defense policy—with Senator Tower's computer-investigation demand only one of a series.

The first flank against Carter was opened up June 5, when a "top secret" report on the Iran-rescue operation, commissioned by the Senate Armed Services Committee during hearings begun in April, was suddenly leaked to major news media. The report disclosed "major errors" in the operation, including inadequate training of personnel and inadequate equipment maintenance, poor contingency planning and execution, bad intelligence and "fragmentation of command responsibilities." The mission commander was the wrong man, and component

commanders “operated in isolation,” while “no one at the desert site was responsible for making decisions.”

A second flank was opened by the same committee, when it launched a concerted fight in Congress to block the renomination of General Jones as Joint Chiefs chairman. Senators Helms, Goldwater, Tower and Garn have accused him—accurately enough—of “rubber stamping” administration proposals, and failing to strengthen the country’s defense adequately.

Similar criticisms were leveled in the press against Robert Komer, Defense undersecretary for policy. The May 31 *Washington Star* called him incompetent, as proven in his disastrous Vietnam “pacification” program in the 1960s. The *Star* cited one critic on Komer: “He is like the piano player in the whorehouse. You know, tell me what you want and I’ll go play it.”

The All-Volunteer Force, meanwhile, has come under attack in the House of Representatives, whose Armed Services Committee rejected Army attempts to whitenash the scandal over its lack of qualified manpower, and recalled Secretary Clifford Alexander for a round of hearings on the issue.

Particular attention is drawn to the Navy, where critical shortages of trained personnel have forced ships to remain in port. Chief of Naval Operations Admiral Thomas B. Hayward pointed to the decline in a recent *Christian Science Monitor* interview. “You can have a decline for a while and not really have a dramatic impact,” he said. “It is now reaching a point where the impact is dramatic.”

In Europe, a different revolt

The problem is: No one of Carter’s critics has yet proposed a competent alternative—and that includes the Council on Foreign Relations press, like the *New York Times* and *Washington Post*. An added contradiction in this military reassessment is that the “China card,” which threatens to provoke pre-emptive Soviet military action in Asia and immediately display American weakness to the world, has yet to come under attack from any significant quarter in the United States.

The reason is clear: both American military weakness and the “China card” are related features of those Malthusian economic policies with which Carter’s critics—like Carter—have yet to break. The foundation of military strength is strong development of scientific research capabilities, and a strong civilian industrial foundation. Moreover, as Carter’s government has drastically curtailed both American research programs and industrial strength, it has pursued the “China card” as a proposed substitute for the sort of economic policies that would actually provide the United States with an in-depth strategic advantage over the Soviet Union.

By contrast with the criticism in America, our European “allies” have not hesitated to attack the “China

card” as a threat to peace in the immediate future. Europe has rejected Malthusian “controlled disintegration” economics, and the lunacies in geopolitical strategy and military policy that accompany it.

Exemplary was the statement by the West German defense minister Hans Apel to an election rally in Hamburg last week. Referring to America’s alliance with Peking, Apel spoke of America’s “incredible adventures in Vietnam,” and stated bluntly: “Whoever decides to do that [ally with China—ed.] is unable to grasp what the international situation really is today.” The White House should put itself in the place of the leaders in the Kremlin, he continued, The Soviet Union “feels they are being encircled.”

Apel also scoffed at America’s cutoff of military aid to Turkey when that nation invaded Cyprus. “They should rather have given more development aid, like we did.”

The West German army’s Inspector General, Jürgen Brandt made equally sharp statements about the “China card” and NATO posture more generally. He told a meeting of the Rheinland Pfalz state legislature: “The China card can only lead to war. We must keep channels open to speak to the Soviets after a crisis, which would become impossible by playing the China card.” The same official later told an interviewer that American military preparedness was extremely poor: “The IQ of a drafted army is always higher than that of a volunteer force. The American problem . . . is that behind any American soldier there is absolutely no one to be the reserve, since the U.S. abolished the draft system. The U.S.A. cannot reach the end of this century without finding some other way of creating reserves.”

What distinguishes European from domestic criticism of Carter policy is the Europeans’ simultaneous attacks on Washington’s military follies, economic follies, and geopolitical follies. They are, in fact, inseparable.

But meanwhile, back in the United States, the criticism of Carter has the same ring of incompetence and outright lunacy as Carter policy itself. So, Senator Henry Jackson and other “hawks” accuse the administration of not really increasing defense spending at all. However, Jackson and his like do not go beyond what Carter purports to seek—an expansion of U.S. forces in width, but not in depth. One may speak of rebuilding American military strength—if one also speaks of restoring the health of American scientific research and development programs, restoring science-oriented education, and launching an economic recovery based on high-technology capital formation in basic industry. If one chooses to oppose or omit such economic revitalization from consideration, one chooses Carter military and geopolitical policy, too—whatever contrary notions one may enjoy entertaining in private fantasy.

Kooks and nukes: They don't mix

Aspen had a wonderful strategy to eliminate nuclear power, and with it, they crippled American strength . . . but no one else's.

The other day, I met a leading geopolitical strategist of the Aspen Institute for Humanistic Studies in Colorado. I have mentioned Aspen before. Its chairman and principal piggy-bank is "oilman" Robert O. Anderson of Atlantic Richfield. Anderson thinks more like a British peer than an energy producer, and is a member of the Council on Foreign Relations.

Although little known, Aspen is a very important policy generating operation—for instance, it mothered the ideology of "environmentalism." Aspen has consistently stood for an end to progress in human affairs; to put it bluntly, a "New Dark Age." The institution has never issued a single memorandum, proposal or policy statement that I could agree with.

As I spoke with this particular, well-known personage, I was struck by how short-sighted these "Olympian" strategists are. In 1978, this man told a friend of mine: "The bloom is off the nuclear rose. We at Aspen were the first to develop the argument that nuclear energy means weapons proliferation." He was referring to the Carter administration's adoption of Aspen's strategy to contain and eventually destroy nuclear energy. Carter halted nuclear technology's next generation—the fast breeder and spent fuel reprocessing. The problem I raised to him is that no one else did.

Viewing Washington with

stunned amazement, the French strengthened their commitment to nuclear development and now have the most advanced fast breeder program in the world. The Soviet Union, eyeing Washington's ludicrous behavior, mobilized a crash escalation of their light water, breeder, and fusion programs. West Germany is now discussing with Moscow a program for energy cooperation reportedly featuring high temperature gas reactor applications.

I gently pointed out that solar, biomass and other negative "Olympian" energy strategies from Aspen had made America the world's laughing stock. It is difficult for many people to believe that some other people want a "New Dark Age." What everyone sees, however, is that American policy is destroying the nation. He defended himself, but was clearly shaken by the nagging perception of his organization's miscalculations. The world didn't bite on Aspen policy, and the U.S., because it did, no longer has the technological and industrial base to launch an effort.

"Carter is an absolute disaster, Brzezinski is a knee-jerk strategist," said the strategist, who is tied to the Kennedy campaign. I pointed out Kennedy's antinuclear record. "Well, you must give us credit for our ability to change our thinking."

But that's not so easy for our

"Olympians." Take the recent antics of the Friends of the Earth, led by Amory Lovins, high-priest of "soft energy paths." FOE was created with \$200,000 of Robert O. Anderson's personal funds. Last week, Lovins' group surfaced in the middle of a controversy in Italy. Some time ago, they commissioned a study by "MHB Associates" of San Francisco, who alleged major seismic dangers in that nation's nuclear plant siting policies. With help from certain "Radical Party" journalists, the report became front-page news in Italy.

Some analysts there have already pointed out that the report is incompetent. That's no surprise. M, H, and B—Minor, Hubbard and Bridenbaugh—are three engineers who gained prominence in the U.S. several years ago when they resigned from General Electric, denouncing safety dangers in the company's reactor design. It turned out they had undergone a Damascus Road conversion to antinukery at a California "consciousness raising" retreat, whose resident guru convinced them that antinukery is next to Nirvana.

Discredited in America, Aspen and its Friends of the Earth recycled the trio into a European antinuclear road show.

This illustrates our Olympians' problem. They've spent a decade, and millions of dollars, creating kooks. How can they now reverse field without destroying all their assets? After my meeting with one of Aspen's leading lights, I had a far more profound appreciation of the pathetic predicament of these self-conceived elite geopoliticians. They've been in Colorado's rarified atmosphere too long without productive activity.



Ed Koch plays footsie with GOP

On June 6, New York's Ed Koch became the first Democratic Party official ever to testify before Republican Party platform hearings. Introduced by Senator Jacob Javits (R-NY), who characterized him as someone with "just the right combination of being tough and being sympathetic," Koch so impressed the platform committee with his witty discussion of urban problems that Republican National Committee chairman Bill Brock invited him to join the GOP on the spot.

Koch's appearance at the New York hearings came the day after it was revealed that Ronald Reagan's national finance chairman, William Simon, has offered to pull together Republican support for Koch's reelection bid next year. "Koch is the best thing that's happened to New York since Fiorello LaGuardia," Simon told the *New York Times*. Whether Simon, who as Treasury Secretary in the Ford Administration, led the fight to deny New York City federal aid, agrees with Koch's publicly stated desire to "make New York look like Peking" is not yet known.

Reagan camp split on China Card

Sources close to the Reagan camp report that the former California governor's top political advisers are divided over how far the U.S. should go in beefing up the People's Republic of China economically and militarily as a flank against the Soviet Union.

A group led by Richard Allen, the campaign's national issues coordinator, is pushing Reagan to advocate stronger U.S. ties with the PRC. Allen, who told a group of European foreign policy experts last week that China should be considered an ally of the U.S., had been working closely with John Sears before Sears' ouster as campaign manager last February to set up a tour of China for Reagan.

Opposing Allen's efforts are several old Reagan hands, including former press secretary Lyn Nofziger and consultants Michael Deaver and Peter Hannaford, who are telling Reagan to stop toying with the PRC and instead reiterate his traditional strong support for Taiwan.

Where Reagan himself stands, as in most things, isn't very well known. But he could be leaning toward the Nofziger grouping, which is certainly where most of the voters supporting him would tend to line up. During campaign appearances in the past two weeks, Reagan has said several times that if elected president, he would move toward reestablishment of "official relations" with the nationalist Chinese on Taiwan.

That, according to Allen's faction, would have an obvious repercussion on the "China card," as Peking would view a warming in U.S.-Taiwan relations as a rejection of the process of U.S. "normalization" of relations with the

mainland, not to mention the outright military alliance now in the works.

GOP insiders tell us that it was Sears and members of the Allen grouping who planted a front-page story in the June 6 *Washington Post* revealing that the Deaver-Hannaford public relations firm has since 1977 had Taiwan as a client, in an effort to embarrass that faction and lessen their influence with Reagan.

Anderson seeks boost from Europe

Independent presidential candidate John Anderson is planning a trip to Europe and the Mideast this summer. According to John Topping, former director of the liberal Republican Ripon Society and a national figure in Anderson's campaign: "The tour could be the thing that really propels Anderson into front-runner status. If we can set up meetings with top leaders in Europe—including some of the opposition, like Franz-Josef Strauss—and then have the European press begin commenting that Anderson appears to be the only U.S. presidential candidate who knows anything about the allies' needs, that's good. The real importance will be when the U.S. media, say sometime in early September, begin to feed this positive response back into the U.S. That's what will really give us an edge."

Topping added that it's "the consensus in Europe that none of the major party contenders has a foreign policy worth a damn. They feel confronted with a much worse choice than they've had in the last four elections." Former Undersecretary of State George Ball, a staunch Anderson backer, is reportedly helping to coordinate plans for the Anderson tour.

House committee rakes Army Secretary over the coals

The House Armed Services Committee began their hearings on the state of the U.S. Army June 11 by raking the Secretary of the Army over the coals. The Armed Services Committee lambasted the Army Secretary for allowing the U.S. Army to degenerate to such a low point that barely one-third of U.S. Army recruits are high school graduates. The mood at the hearings was utter disdain for the President's military men.

Testifying at the committee were Army Secretary Clifford Alexander and Army Chief of Staff General Meyer. Sitting in the audience were 14 enlisted men and officers who were supposed to testify the following day, also on the issue of the state of the Army. They were not supposed to be in the audience while the Army secretary testified, because their testimony was a check on the military brass. Congressmen at the hearings were outraged at their appearance. One Congressman demanded of Alexander why they were present. Before he could reply Congressman Stratton (D-NY) answered for him, "You ordered them here to find out what the party line is." Stratton, one of the most powerful men on the committee, then got up and walked out in disgust.

Congressmen also attacked the All-Volunteer Force, calling it a fiasco when less than 37 percent of the Army are high school graduates. Out of 340,000 first term enlisted men, only 276 are college graduates. After revealing these shocking statistics, the Congressmen demanded that the Army sec-

retary admit the failure of the all-volunteer army and reimpose the draft. But Alexander argued there were many benefits from having an army of non-high school graduates.

Proxmire covers for Dope, Inc. of Florida

Senate Banking Committee chairman William Proxmire (D-Wisc.) opened hearings on June 5 on the role of Florida banks in facilitating the massive illegal narcotics traffic swamping the state. Proxmire's stated aim is to force bank regulators, including the Controller of the Currency and the Federal Reserve Board to toughen their policing and prosecution of banks who do business with narcotics traffickers.

But in reality, this apparently admirable effort is a cover for a large-scale reorganization of Florida banking to facilitate Dope, Inc.'s takeover of Florida. Unmentioned in Proxmire's hearings were the 11 internationally-based banks which do not merely do business with narcotics traffickers, but who *are* narcotics traffickers and who have moved into Florida in the past two years.

In 1978, the Florida State Legislature passed legislation allowing internationally-based banks to open branches in the state. Since then, major Dope, Inc. connected banks such as Bank Leumi, Standard and Chartered and the Bank of Nova Scotia have opened up shop in Florida.

Proxmire and his train of witnesses left no doubt that their target in the hearings was the domestic Florida bank. Several local bankers and a former Assistant U.S. Attor-

ney for Miami testified, declaring that narcotics-related money transactions were easily recognizable and no banker had to do business with drug dealers if they didn't want to. Assistant Treasury Secretary Richard Davis reported that the appropriate bank regulatory agencies were not rigorous in pursuing and prosecuting bankers who were involved in regulatory infractions stemming from such transactions.

Proxmire has ordered a two month study of the situation and is clearly gearing up to force the regulatory agencies to crack down on the domestic banks. Such a crack-down will have the ultimate effect of turning more of Florida banking directly over to the top layers of Dope, Inc. itself, such as Standard and Chartered and Bank Leumi.

Congressmen demand prosecution of Ramsey Clark

Angry Senators have demanded that the Carter administration prosecute former Attorney General Ramsey Clark for violating Carter's ban on travel to Iran. Clark went to Iran last week and participated in a conference denouncing the U.S. As detailed by this publication, Clark was one of the leading figures who actually put Ayatollah Khomeini into power, meeting with him often while he was in exile in Paris.

The government should prosecute Clark for his trip since it prosecuted former Attorney General John Mitchell, declared Senator Howard Baker (R-Tenn.). "If you are going to prosecute people for things like Watergate, where the crime was far less clear, you should

prosecute for this," he declared. "The violation here was just as clear."

Baker demanded prosecution under the Logan Act, which prohibits American citizens from having unauthorized dealings with foreign governments that are in disputes with the United States.

Senator Robert Dole (R-Kan.) joined Baker. Dole said that he would actively pursue action against Clark and other Americans who attended the anti-American conference in Iran. On Friday June 6, Dole introduced a resolution calling on President Carter to prosecute those Americans under the Logan Act.

Senate Majority Leader Robert Byrd (D-W.Va.), while not going as far as the Republicans, said he too disapproved of Clark's trip. Byrd however deferred to the Justice Department for any prosecution.

Trucking dereg bill caught in Congressional quagmire

The House version of trucking deregulation has been caught in the entropy settling over Congress, and the delay in its passage may spell trouble for the legislation. Industry sources report that House Majority Leader Tip O'Neill dropped the legislation from consideration during the week of June 9, because he does not want any major legislation considered until the budget deadlock is resolved. If that deadlock prevents the deregulation bill from reaching the floor until July, the paper-thin compromise which holds the bill together may fall apart.

Already, the Teamsters are re-

portedly asking for a major amendment to the bill which would afford them a labor protection clause similar to the one enacted in the airline deregulation case. While the administration is not particularly adverse to that demand, it recognizes that acceptance of any amendments could open the doors to all the disparate interest groups who want changes in the bill. Since the legislation was only passed through the House Committee through a combination of arm-twisting and railroading, a free for all on the floor of the House could finish the bill off.

While chances are still better than even that the legislation will pass, Capitol Hill observers note that with Congress out for two weeks in July and a good part of August, and looking for an early fall recess, the longer the deregulation bill waits for floor action, the more likely it will falter.

Oil import fee killed in Congress

The Senate voted 68 to 10 to kill President Carter's oil import fee June 6, overriding a Presidential veto. The Senate action came a day after the House voted 335 to 34 to also override the veto. The defeat was a stinging rebuke to President Carter, who had imposed the fee several weeks ago as a centerpiece to his energy austerity program. The fee would have added 10 cents a gallon on gasoline rates and taken \$10 billion out of the U.S. economy yearly.

The Congressional override of the Carter veto was the first such override of a President by any Congress of the same party since June

1952, when Harry Truman tried to block the McCarran-Walter immigration bill. The Congress rejected the oil import fee, fearing the objections of the American population in an election year. They also criticized it as inflationary.

Filibuster on draft registration ends:

The Senate voted June 10 to end the days-old filibuster on draft registration which had held up Senate consideration of other important pending legislation. The vote was 62 to 32 to invoke cloture, thus ending the filibuster, but allowing for 100 more hours of debate on the matter. The filibuster had been led by Mark Hatfield (R-Ore.) who opposed draft registration.

The Senate vote appeared to assure passage of the bill shortly. Carter had asked for \$13.3 million to register 19 and 20-year-olds. The House has already passed the legislation. The House passage occurred after the House leaders assured members that President Carter had no intention of actually reinstating the draft.

Once the vote on cloture was completed, the Senate began to amend the registration bill. The Appropriations Committee submitted an amendment that would allow youth to list themselves as conscientious objectors on their registration forms. After much haggling between the Senate and the presiding officer on this amendment, Senator Sam Nunn (D-Ga.) added another amendment which carried. It transfers the conscientious objector status to a classification process that still has to be created.

National News

Carter administration heaps coals on Venice

Recommendations came this week from the U.S. Interagency Coal Export Task Force, specifically mandated to implement the goals outlined in the recently released Massachusetts Institute of Technology world coal study. The MIT report called for restructuring the world energy-dependency map to institute a "coal OPEC," consisting of the de facto "British Empire"—the U.S., Britain, Canada, Australia, and South Africa. The U.S. in particular would become "the Saudi Arabia of coal," with \$1 trillion invested worldwide in the next 20 years in mining and transport. The administration is prepared to open federal lands for mining to meet its targets. U.S. coal exports, according to the new task force, should rise from a current 66 million tons to 266 million tons by the year 2000.

The task force announced that Carter will bring this plan to the Venice summit and ask Europe to buy additional substantial amounts of U.S. coal. While other Western nations are interested in developing high-technology use of coal, it is doubtful whether they will welcome a plan for a new energy cartel, even if the U.S. became a reliable exporter of strategic resources. The full-fledged perspective smacks too much of the "Bolton Plan" circulated privately last year by Bank of England adviser Sir George Bolton, whereby the English-speaking nations and their Latin American appendages dominate the world economy through raw materials control at Europe's expense.

Byrd says nomination up for grabs

Senate Majority Leader Robert Byrd (D-W.Va.) has refused to concede the Democratic nomination to President Carter. Instead, this week Byrd declared

that the race was still open. Glancing at a copy of *Senate Procedures*, Byrd told the *New York Times* June 11, "This book tells me that a lot of things are possible. That's why I'm not stampeded by arithmetic. The rules and precedents are such that a rabbit can be pulled out of the hat."

The most powerful Democratic Senator has openly criticized Jimmy Carter at his Saturday morning news conferences. On June 7, Byrd criticized Carter for attempting to keep independent presidential candidate John Anderson off the ballot in a number of states. Byrd indicated that he felt Rep. Anderson would attract liberal Democrats to vote for what Byrd described as "an endangered species," the 22 Democratic Senators seeking reelection. Asked whether he was saying that if Carter headed up the Democratic ticket he would hurt Democratic Senators, Byrd declared, "Of course the head of the ticket can affect Senate races."

"Senator Byrd is very angry at President Carter," declared one Democratic Senator. "Bob Byrd is paranoid at the thought that the Democrats are going to lose the Senate," declared another. White House advisors try to explain away Byrd's statements by pointing to his presidential ambitions. After all, they hint, he tried for the post four years ago.

Texas Democrats protest farm gap

At a June 12 Washington, D.C. session of the Democratic Party's procedural committee on the 1980 electoral platform, the Texas delegation complained that during all the hearings held around the country this spring to garner testimony on the Democratic planks, there had been no discussion of agriculture and no testimony from farmers. Texas spokesman Dan Morgan stated that agricultural organizations and farm interests had been actively excluded from the proceedings, despite the acute situation of U.S. producers, which he said was never addressed.

The Texas delegation—backed by the Georgia contingent—proposed to delay the scheduled June 21 platform deliberations until June 22, so that the new Texas representatives, who will not be elected until the June 20 state convention, can attend. This proposal was voted down by the committee, which chose former Detroit mayor Coleman Young as official chairman. The four platform committee cochairs elected June 12 are Michael Stead of California; Johnnie Setzer, Democratic National Committee member from North Carolina; John Lyons, president of the international Ironworkers Union; and Gertrude Donahy, Ohio state party treasurer.

Administration defends China policy

The Carter Administration has sent Assistant Secretary of State Robert Holbrooke scurrying off to Capitol Hill to quell a growing disturbance that developed around its China policy.

One week ago, in public remarks before the U.S.-China Trade Association as well as at an "off the record" briefing, Holbrooke declared that it was now official U.S. policy to place a priority on relations with China, as against relations with the Soviet Union. In response, several conservative senators have been hinting that the U.S. should restore relations with the Nationalist Chinese Government on Taiwan, a move that would chill relations with Peking.

Holbrooke told the House Foreign Relations Committee that a move to restore normal ties with Taiwan would be "devastating" to the China-U.S. relationship. Furthermore, it would jeopardize U.S. strategic interests and so, be "highly dangerous," said the Undersecretary of State.

Sources on Capitol Hill report that, far from putting out the fires, the rabidly pro-Chinese Holbrooke seems to have developed the knack of strengthening his opponents. "There is going to be

one hell of a fight on the China policy," the sources said.

On June 11, the Senate Energy Committee, chaired by Sen. Henry Jackson, voted 17-1 (the dissenter being Democrat Paul Tsongas, of Massachusetts) to order the mandatory conversion of 80 thermal power plants from oil to coal over the next three years, at a cost of \$4.2 billion. Three of the plants are in New York City, eight in New Jersey, and four in Connecticut. Some of Jackson's associates from the Committee for a Democratic Majority view this as part of a "coal and nuclear push," as recommended in the MIT study, with a limited expansion of stalled U.S. nuclear energy production accompanying the mammoth expansion of coal use.

FEMA takes over the disaster in the White House

Jack Watson, who has earned the reputation of being the Administration's man on the scene at natural and man-made disasters, last week assumed the post of White House Chief of Staff. Watson replaces Hamilton Jordan, who becomes chief political coordinator for the Carter-Mondale campaign.

Watson has been identified by spokesmen for the Federal Emergency Management Agency (FEMA) as their "pointman in the White House." For the last several months he has met regularly with FEMA head John Macy to plan strategy. He is said to have been influential in getting the White House to yield "crisis management powers" to FEMA in several situations, including the so-called Cuban refugee crisis.

Ham Jordan's redeployment was expected, following his recent clearing of charges of cocaine use at New York's Studio 54 discotheque. Jordan has the reputation of being a "capable thug," say people familiar with his role in the 1976 Carter campaign.

Carter and his backers feel that they need Jordan's services to secure the August Democratic convention. Well-in-

formed Democrats report that the "Watson-Jordan" shuffle parallels a major deployment of Carter forces into the Democratic National Committee (DNC). These sources report that what amounts to a special plumbers' unit has been set up under the new DNC Executive Director Les Francis, former operations chief of the Carter campaign. Francis's staff has deployed people into several "problem states," including Ohio, New York and Michigan, where Carter delegates are reported to be ready to support opening up the Democratic convention. This DNC strike force coordinates with a beefed up Carter "delegate security" operation working out of his campaign headquarters.

U.S. hit Japan, German bank hits Chrysler

With auto sales sagging around the world, protectionist initiatives are on the rise. Two senators from the auto-producing states, Sens. Carl Levin (D-Mich.) and Richard Lugar (R-Ind.), introduced legislation on June 10 that would impose a \$500 import fee on the average Japanese automobile. The tax is ostensibly to compensate for non-tariff barriers—such as inspection costs and commodity taxes—placed on American cars when they are imported to Japan. Industry analysts point out that this is a very flimsy rationale for the proposed \$500 auto tax, since sales of American automobiles in Japan are negligible, and penetrating the Japanese market is not part of the corporate strategy of any of the American automobile producers.

In a second international move last week, one of Chrysler's lenders, the Deutsche Genossenschaftsbank, seized about \$8 million of Chrysler's funds that it was transferring from one of Chrysler's European customers into a U.S. account, and is holding these funds as "security" for an equal amount of credit extended to Chrysler, which is in default.

Briefly

● **JOHN ANDERSON**, who claims to be a born-again Christian, apparently has his moral tastes influenced by the campaign cash register. Some of his backers are upset by a recent San Francisco fundraising event, attended by the candidate. It seems that guests were entertained by the Gary Poole Dance Revue, whose act was described by attendees as "lewd," "sodomasochistic," and full of suggestive sexual and mock-violent acts. Anderson's son, John B. Jr., said that he thought the performance was appropriate for a San Francisco audience, but not for Rockford, Ill., Anderson's home town. He didn't say which city's morality is Anderson's.

● **CLIFFORD Alexander**, Secretary of the Army, insisted at congressional hearings June 11 that high-school graduates do not make better soldiers than drop-outs. Alexander was responding to a series of attacks from the House Armed Services Committee, where Samuel Stratton (D-NY), Robin Beard (R-Tenn), Sonny Montgomery (D-Miss) and Dan Daniel (D-Va) denounced the U.S. all-volunteer army as a failure. Among other factual materials, the senators presented statistics showing that more officers and NCOs are required to give recruits remedial courses than are engaged in training them.

● **BILL BROCK**, GOP national chairman won't be dumped by Ronald Reagan. Sources close to the Reagan camp report that the candidate is under pressure from his supporters to oust the former Tennessee Congressman and replace him with a more conservative member of the Reagan entourage. But only two weeks ago Reagan publicly embraced Brock and said that he would keep him as GOP chairman through the November election.

The Hispanic activation

The same apparatus under the Justice Department that is producing black ghetto rioting has readied Chicano radicals for a wave of terrorism.

In San Diego, California May 24-26, representatives from 80 Hispanic organizations came together, supposedly for a conference on Mexican-American immigration. They all agreed to "begin an era of violence."

The leading "militant" leaders of the Chicago movement hammered out a policy of violent confrontations and riots, targeting cities in the United States as well as Mexico. "What happened in Miami was only the beginning," one spokesman announced. Already there have been Chicano confrontations with police in at least nine Southwestern cities, including Phoenix, Tucson, Douglas and Bisbee, Arizona; Dallas and San Antonio, Texas; Los Angeles and San Isidro, California; and Denver, Colorado.

The activation of the Hispanic movement for riots cannot be viewed separately from the black riot apparatus which was put in place during the past year. Both are under the control-umbrella established by Attorney Benjamin Civiletti. At least four of the organizations represented at the San Diego conference, are also represented in Civiletti's 17 member Hispanic Advisory Board, established in July 1979. These organizations are: the League of United Latin American Citizens (LULAC); the GI Forum in Washington D.C.; The Mexican-American

Legal Defense and Education Fund; and the Secretariat of Hispanic Affairs. A Department of Justice press release issued on the formation of the Hispanic Advisory Board describes it as being created to "advise" Civiletti on human rights violations against undocumented aliens and Mexican-Americans, and to help "create civil rights enforcement units."

The Justice Department also intersects this network on the level of the Community Relations Service (CRS). On Dec. 11-13, 1979 the CRS, LULAC and National Urban League cosponsored a conference on "excessive use of force" by law enforcement, one of the central themes coordinating the build-up of the riot infrastructure. The CRS Western region office in San Francisco maintains close contact with LULAC to coordinate activities.

The San Diego conference's targeting of the U.S. Border Patrol has also been backed up by the Department of Justice. Responding to the "complaint" that the Border Patrol violates the "human rights" of drug runners and illegal immigrants, FBI agents are now being sent across the border from Mexico, posing as illegal immigrants, in hopes of entrapping Border Patrol agents.

The final call to arms of the San Diego conference was given by Ruben Sandoval, a representative of LULAC. The "truth is that

Washington authorities answer only with violence . . . we are at the point where patience has been exhausted and violence begins . . . the hope of settling things through the judicial system is increasingly dim. All talk of equality of rights is pure bull . . . in a word, enough is enough, on to the streets, attack anyone symbolizing such racism."

An interview with Rodolfo "Corky" Gonzales, leader of the Crusade for Justice in Denver, and a spokesman for violence at the San Diego conference, has been provided to *EIR*. Gonzales comments that Ruben Sandoval "is the most pacifist of all of us."

Gonzales talks of building up a terrorist movement, modeled on the "People's Guerrilla Army" of Lucio Cabanas, a Mexican terrorist killed several years ago. "The resistance has been growing; we now need to increase our communications across the border with our brothers . . . then, we will be able to take direct actions."

Gonzales has been in the center of support operations for terrorism for over a decade. He has aided the Weather Underground, and is in direct contact with the leadership of the American Indian Movement. He was one of the sponsors of a nationwide February tour by the four Puerto Rican terrorists whom Civiletti released in September 1979.

Four days after the San Diego conference, armed rioting broke out in the Southern Mexican state of Chiapas, openly led by the Jesuit order, with the stated purpose of destabilizing the Mexican government. U.S. law enforcement officials should closely monitor this situation for its "playback" effects in sparking U.S. terrorism.