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EIR

From the Managing Editor

Our Special Report this week contains an analysis of the Israeli economy—a subject generally ignored—as well as exclusive intelligence on the timing and motivation for Ariel Sharon's removal as Israel's defense minister. The opportunity now exists for sane politics to emerge in Israel, an opportunity that may not recur. However, as *EIR* has been warned by our sources, Sharon may not yet be neutralized and may still "go on a rampage," mobilizing not only his large base of domestic support, but the network that backs him outside Israel. Thus, the outcome will in good measure depend on what happens, or does not happen, internationally.

Our subscribers will recall that Alexander Haig was forced out of the State Department in June 1982, not least because the President had caught him colluding with Sharon in the latter's drive to invade and partition Lebanon. It is Henry Kissinger, the godfather of Haig and Sharon, who is most responsible for the Lebanon disaster—the same Henry Kissinger who told a Texas audience just before the Beirut massacre that it should welcome chaos in the Middle East. A quarantine on Kissinger is one prerequisite for sovereignty and tranquility in that region.

If Mr. Reagan really wants to get things moving, however, he will have to tackle the economic question. The missing ingredient in his peace plan is an emergency executive order returning the United States to a gold-backed reserve system, to provide a stable basis for long-term credit issuance. Then the President could sit down with developing nations to arrange an expansion of world trade and investment that would restore solvency to national treasuries and the world banking system, currently held hostage by a gargantuan unpayable debt.

Our editors returned from their recent trip to the Middle East convinced that if Israel and Egypt can be brought together in an effort to "make the deserts bloom" through desalination, nuclear energy, and other advanced-technology projects, each will revive its sense of national purpose, and the New World Economic Order—which is nothing more nor less than such commitments—will have come on the horizon.

Susan Johnson

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The Saudis, the financial markets, and the oil price

by David Goldman

According to reports received by *EIR* from reliable sources, Saudi Arabia is making operational a contingency plan to regain control of the world oil markets and ensure the security of its regime. Additional reports erase all doubts that the contingency plan exists. The question which events are now beginning to answer is what version of the plan will go into effect, and how fast.

The plan, according to the most detailed account *EIR* has, includes:

- 1) an initial increase in Saudi oil output from the present 4 to 5 million barrels a day to 10 to 15 million barrels;
- 2) a posted price of \$22.50 rather than the present crumbling price of \$34;
- 3) a second reduction in the oil price (if necessary) to about \$15 per barrel; and
- 4) shifts in the \$180 billion Saudi portfolio of foreign investments to favor political allies such as France.

The prospect of independent Saudi action has introduced a degree of unpredictability into the world financial situation such that all players in the game—including the London-centered faction which believes that a new world central bank will emerge out of the ruins of the present monetary system—have been taken off guard. Additionally, the prospects for a “debtors’ cartel,” i.e., a negotiating front of a significant number of large developing-sector debtors, have been advanced, as the case of Venezuela, which is reported below, highlights.

First public recognition of the Saudi plan came in Swiss national television’s evening news on Feb. 7. Then on Feb.

10, Reuters circulated an announcement from the Saudi government that it was about to lower its oil price by \$4 per barrel. Official lowering of the price to \$30 is now expected to occur following Feb. 12-13 consultations of the Persian Gulf Coordinating Council, which includes Kuwait, the Emirates, and Bahrain. Also on Feb. 10, bank trading departments reported that “a major central bank” was on the market selling off billions of dollars of commercial bank deposits, in order to purchase U.S. government Treasury bills. Such a “flight to quality” would be expected by Saudi Arabia under the conditions prescribed by the plan.

It is still too early to insist on any single strategy on the part of the Saudis; as the chairman of one of the Aramco companies put it mid-week in a not-for-quotation discussion, King Fahd probably has not made up his mind. The principal consideration, he added, is security. The Iranians, who have escalated their war with Iraq, are threatening military action against the Saudis should the Saudis attempt to cut them out of the oil markets. Under the British-authored scenario for breaking up OPEC, which went into effect end of January (see Special Report, *EIR*, Feb. 15,) a *gradual* oil price deterioration is intended to be accompanied by Saudi readiness to cut back their own output to Iran’s 3 million per day level to maintain a price floor, and wreck Saudi control of OPEC. The Saudis have been posed with the prospect of liquidating reserves, cutting back major investment projects, and packing off foreign workers, all of which amounts to a powerful threat to their regime. If the Saudis instead were to seize the initiative, and *raise* output while quickly lowering

the price, they stand as the most financially cushioned force within the OPEC cartel, relative to their bitter British-tied enemies, Iran and Libya, whose financial position would quickly crack.

One analyst close to the Bank of England argues that an Iranian military success in the present offensive against Iraq will compel the Saudis to escalate their moves on the oil market. The analyst commented that the density of reports concerning Saudi moves, including reports that Saudi production is already up to 5 million barrels per day from January's 4.5 million level, indicates that the "Saudis are keeping the big stick in evidence."

Other market analysts insist the Saudis would never dare a price war for fear of direct Iranian attack. However, France's role in the Persian Gulf, which includes on-the-ground security for the Saudi regime, a fleet presence in the Arabian Sea, and a rapid deployment force of demonstrated effectiveness, appears to take the edge off the Iranian military threat to Saudi Arabia. Early February, France sold \$6 billion in arms to Iraq, financed by Riyadh.

Further, what the Saudis have to lose under slow strangulation is not in question. World oil consumption has fallen rapidly in the last two years. The oil majors as well as parts of the U.S. and British governments have openly written off the Persian Gulf as a source of American oil, an attitude whose implications have not gone unheard in Riyadh.

Iran has also not hesitated to provoke Saudi Arabia's patience. This week, Iran bombed French military installations in Iraq. A British correspondent on Mideast affairs told *EIR*, "there is no doubt there is a faction in Saudi Arabia which would welcome" French military support in knocking Iran out.

The BNOC strategy

Attempting to run the price drop, the British strategy had two stages:

First, a price reduction by \$4 to \$5 per barrel, putting enormous financial pressure on Mexico, Venezuela, Indonesia, and Nigeria. In the case of Mexico, the loss of about \$3 billion in oil revenue would bring Mexican external finances to just within the trigger-point past which the country would be forced to declare a moratorium; Mexico would have to apply to the IMF to obtain more funds and, in return, would have to give the IMF more control over its public budget.

In the case of the other three major oil-producing debtors, each nation would have no choice but to "pre-emptively" apply for an International Monetary Fund program, accepting what an official of Morgan Guaranty Trust called "preventive medicine." The weakening of these four leading developing nations would, British financial sources estimated, permit the International Monetary Fund to ride herd at the crucial upcoming summit meeting of the Non-Aligned developing nations at New Delhi on March 7.

A second drop in the oil price, to \$25 per barrel, by March

or April, would then force a major crisis in the world banking system, the British calculated, in time to force the leaders of industrial nations meeting at Williamsburg May 28 to accept supranational controls over their economies.

The threats of independent Saudi action have kept the scenario computers working overtime. "The possibility of an uncontrolled slide in the oil price has put us in something of a dilemma," said an official of the British National Oil Corporation. "We have been told by Gulf Oil that if we do not lower the price of North Sea crude to \$30 by Friday [Feb. 11], then they will cease all purchases of North Sea. But the effect of doing this might be to tip the situation over."

The financial consequences

A \$25 per barrel oil price at present production levels, as *EIR* reported Feb. 15, implies a Saudi payments deficit of \$22 billion and an OPEC deficit of \$73 billion, a circumstance the world financial system could not withstand. The shift of OPEC surpluses from \$120 billion in 1980, to less than zero in 1982 has "lowered the world savings rate," as one Federal Reserve official put it, and a shift into big deficits would cause a general drain of funds from the already hard-pressed Eurodollar market, as well as from the market for U.S. government securities itself. The same Fed official said, "\$22 [a barrel of] oil means a world financial catastrophe, and anyone who doesn't understand that is an idiot. The Saudis would be dragging the world to the precipice in order to deal with Iran and Libya!"

However, the world financial system is *bankrupt in any case*; as Morgan Guaranty Trust's chief economist Rimmer de Vries told the *Journal of Commerce* Feb. 9, twenty-five nations with \$200 billion in debt payments are currently in arrears, and an additional 15 nations with \$80 billion in debt are likely to go into arrears shortly. In principal, Mexico, Nigeria, and other nations who stand to suffer from the collapse in oil prices have already reduced imports to the point of cancelling all major investment projects and drastically reducing home consumption. Their problem is not export revenues but (especially in the case of Mexico) that all export revenues must be applied to debt service; the only solution for them is a moratorium permitting them to revive imports of investment-related capital goods.

Anticipation of an oil price drop has already thrown a monkey wrench into negotiations for Mexico's \$5 billion "jumbo" loan from private banks. When Mexican Finance Minister Jesús Silva Herzog left for his early-February tour of European capitals, \$4.7 billion of the required \$5 billion in credits had been subscribed; reports following his return home indicate that the commitments have shrunk to \$4.6 billion. State Department and Federal Reserve officials continue to circulate assurances that the loan packages now under negotiation for both Mexico and Brazil will be available in time, but private bankers are less confident.

In the meantime, oil-producing Venezuela has broken into the picture as the new Mexico. With foreign reserves

variously estimated at \$7 to \$9 billion or lower, the country was not until recently a candidate for financial problems; but flight capital in excess of \$100 million per day—triggered in part by fears of the implications of an oil revenue decline—are depleting those reserves at a staggering pace.

At this rate of deterioration, Venezuela could be broke by May, perhaps earlier. Oil exports have sagged to almost 1.3 million barrels per day—the lowest level in three decades—because of the global collapse of industry and an unusually mild winter in the U.S. Northeast. Eight international banks have sued the Venezuelan government for default because of late payments by the Venezuelan Development Corporation, just as Finance Minister Arturo Sosa was preparing to visit New York and European banking capitals to try to renegotiate government-backed short-term debt. Venezuela fell short by about \$1 billion the last time it sent a finance minister abroad on such a mission, and that was when the government only needed \$2.7 billion. Sosa now wants to refinance the entire \$8.7 billion coming due this year—\$3.5 billion of it by the end of next month. Bankers argue that Sosa doesn't have a chance, unless he accepts a "pre-emptive IMF program."

Venezuela, the major Ibero-American nation closest to the United States historically, has become the focus of debate over the "debtors' cartel" proposal circulated in one form by Colombian President Belisario Betancur, and in slightly different form by *EIR* Contributing Editor Lyndon H. LaRouche, Jr. Recent headlines discussing variants of this proposal, including that of LaRouche, belie reports that the "debtors' cartel" has disappeared from the political map. On the contrary, the new elements of unpredictability in the situation have convinced many developing-nation leaders that they have no choice but to take initiative themselves.

A brief selection from the intensive media coverage during the past two weeks includes:

On Jan. 25, *El Mundo*, an afternoon daily published by Miguel Angel Capriles, published a front-page editorial calling for formation of a debtors' cartel and a three to five-year debt moratorium.

On Jan. 28, *El Mundo* and *Ultimas Noticias* published a press release on LaRouche's policy proposal to the summit conference of Non-Aligned nations to begin March 7 in New Delhi, in which LaRouche details the necessity of the debtors' cartel tactic. The item was *El Mundo*'s lead banner headline.

On Feb. 5, *EIR*'s Ibero-America Editor Dennis Small, was interviewed at length on Venezuelan national television on prospects for a debtors' cartel.

Sections of the developing world's leadership are slowly becoming convinced that a crisis cannot be delayed, and the prospects for an accelerated oil-price drop add to the argument. There may yet be hope that industrial nations' leaders will learn this before they are called upon to sign away sovereign power over national economic policy to the International Monetary Fund.

The IMF advances its a global dictatorship

by Kathy Burdman in Washington, D.C.

The Feb. 10-11 meeting of the Interim Committee of the International Monetary Fund significantly advanced the IMF's timetable to establish a Malthusian "new Bretton Woods" monetary system by focusing on bringing the mightiest sovereign nation of them all—the United States—under supranational IMF policy control. The major subject of the closed-door meeting was the need to place the United States itself under an IMF "surveillance" program and to establish stringent control over U.S. banking regulation. If these programs are carried out, the IMF, as has been proposed by New York Fed President Anthony Solomon, former Lazard Frères banker Felix Rohatyn, and the British government, will be turned into a true "world central bank."

Publicly, the Interim Committee acted to ratify "Phase I" of the IMF program, the expansion of IMF quotas and the General Agreement to Borrow (GAB), to give the IMF the financial resources (at world taxpayers' expense) to bail out the private British, Swiss, and U.S. banks of the offshore Eurodollar market. The Interim Committee's final communiqué called for a 47.5 percent increase in IMF quotas—some \$33 billion—and a boost in the GAB from \$7 billion to \$19 billion. If, as expected, Saudi Arabia caves in to the IMF's design, and as Saudi Finance Minister at the meeting Aba Khail announced he will do, the Saudis are expected to lend the GAB an additional \$2.5 billion, and to lend the IMF a further \$3 billion in general funds. It all adds up, even on the surface, to a \$50 billion expansion of the IMF. The quota agreement, originally due to come into effect at the end of 1985, will be rammed through world parliaments, IMF officials said, by the end of 1983.

"All in all, the total effect is a very large and rapid increase, indeed, in our total resources of the Fund," British Chancellor of the Exchequer and Interim Committee Chairman Sir Geoffrey Howe told the press.

The script for the Interim Committee meeting was written the previous weekend at an exclusive meeting of bankers and financial officials at Ditchley Park, near London. According to participants, the 50 top financiers in attendance agreed that the world banking system could only "squeeze through" if American interest rates were to fall, if the American economy were to recover quickly, and if the process of debt reschedulings now underway were to go smoothly. "It was agreed

timetable for over credit flows

this was unlikely," said one participant. "The consensus is that the next twelve months will produce a mounting wave of debt moratoria and outright repudiation."

The Ditchley bankers' group expressed fear of two major reverses on the political front: the American Congress might refuse to provide the required funds for the IMF, whose added contributions are still subject to legislative approval; or, the developing nations on the IMF's hit list might form a "debtors' cartel" to bargain with the West, using the threat of repudiation to ensure terms of rescheduling that would allow economic growth to continue.

With this background, the Interim Committee events took on the character of a race against time. Late on Feb. 10, the Committee still had not agreed on a proposal for a quota increase, with Treasury Secretary Donald Regan holding out for a comparatively low 40 percent increase, and the developing nations threatening to veto such a proposal as inadequate. Indeed, British press accounts appearing Feb. 11 warned of a collapse of the deliberations. The *London Times* quoted a British official who warned that in the event of a failure to agree, "It is possible that some of the more militant Third World countries will follow through on their threat to form a debtors' OPEC by refusing to pay their loans to commercial banks." A late-night session, called by Sir Geoffrey Howe Feb. 10, managed to put a compromise into place at the last minute.

The quota increases that were voted up managed to "keep the players in play for a while," as one top London banker put it. Meanwhile, behind closed doors, the principal topic of the meeting was a coordinated assault against the United States. Discussion was focused on the Reagan administration's projected budget deficit, as demanded by IMF Managing Director Jacques de Larosière and a number of national delegations. De Larosière's assault, Italian central bank governor Lamberto Dini explained, is intended to "put the United States under IMF conditionalities," that is, subject the United States to the same brutal austerity already accorded a large part of the Third World. Breaking the economic sovereignty of the United States, the IMF believes, is indispensable to subject the world economy to a supranational financial dictatorship under a world central bank.

De Larosière's attack was even included in the final com-

muniqué, which stressed at its outset "the importance of reducing fiscal deficits in a number of countries."

De Larosière himself, confronted at the final press conference, refused to deny that the IMF intends by this to put the United States itself under an IMF austerity program within a year. U.S. Treasury Secretary Donald Regan, loyal to his Wall Street colleagues such as Peter Peterson (who under IMF orders, complained about the U.S. deficit) was much more explicit. Asked whether the United States itself needs an IMF austerity program, Regan stated, "That's not a bad idea. We used to have one, you know." Regan was apparently referring to 1977, when Jimmy Carter's Treasury Secretary Michael Blumenthal succeeded in collapsing the dollar to the point that America had to beg the IMF for funds to support its currency. Asked if he did not object to de Larosière's lecturing the United States about its own domestic affairs, Regan said, "No. Every country has gotten a lecture at this meeting except the Chinese."

In this atmosphere of IMF manipulation of one nation against another, a call by U.S. Democratic economist Lyndon H. LaRouche, Jr. for American rejection of IMF control created a furor at the conference. LaRouche stated that the United States must not only reject all IMF programs, but must immediately move to "regain control" over the world monetary system by re-monetizing its ample gold reserves at the current market price of \$500/oz. Rumors that President Reagan was considering this option, which would include reducing the U.S. trade deficit to nothing by issuing billions in gold-backed bonds to finance exports, were eagerly noted by those world leaders opposed to IMF dominance over every nation state. "I don't think the time is ripe for the use of gold, because nations should hold onto it as a last resort," Haruo Maekawa, Governor of the Bank of Japan, told me. "But an IMF program for the U.S. would be a terrible thing. Not good at all. The U.S. must have national independence." West German Finance Minister Gerhard Stoltenberg noted that while use of U.S. gold seemed to be a "wild last resort," the subordination of the United States to the IMF would be "not good at all" and should be resisted by Washington by whatever means necessary.

Behind closed doors, at the main sessions, however, the real topic of the meeting was how to turn the IMF into a true world central bank, the "Phase II" of Britain's plans for a "new Bretton Woods." The major topic of the meeting, OECD Director Stephen Marris told me, was de Larosière's demands for IMF austerity. "De Larosière has been brutally frank," he said, "telling the U.S. that it must cut the budget, and cut fast, because the fate of the world economy depends on rapid U.S. action."

De Larosière has organized a block of Third World and OCED governments against the United States, Marris stated, which has in a single stroke made the IMF butcher the hero the Third World, and isolated America. "De Larosière has set the Group of 24 (developing countries) and the entire meeting against the U.S." the OECD man confided. "In fact,

the only thing upon which the finance ministers of the world agree at this moment is that the U.S. budget deficit is the gravest threat to the rest of the world." De Larosière is saying that unless the U.S. deficit is cut, U.S. interest rates will rise to the point that they threaten to bring a crisis to world banking.

Conversely, Lamberto Dini, of the Bank of Italy and a spokesman for the old Venetian families who back the IMF, was apoplectic at the idea of the United States reasserting its national sovereignty. "Remonetization of gold is totally ridiculous," he shouted. "It would solve nothing. The U.S. Treasury may have trouble financing itself and the dollar may drop. Remonetizing gold won't help," he said. "The U.S. simply must cut the deficit! They must cut it, they must, there is no other way! If not, the U.S. may need an IMF program very soon indeed."

Creditors' cartel hit list

De Larosière's and Regan's statements correspond to reports circulating earlier this week among British and U.S. bankers of the "Ditchley Group," the bankers' creditor cartel, that the "secret agenda" of the meeting is a plot against the United States. "The major question for the meeting," the representative of Chase Manhattan Bank to the Ditchley Group said Feb. 4, "is, what will the IMF do with the U.S. to force it to cut its budget deficit?" On the same day, Sir Geoffrey Howe told Parliament in London that "The U.S. must get its budget deficit under control" and cut defense if necessary.

The plan of the IMF, the Bank for International Settlements, and the Ditchley Group private banks—who are acting together as an illegal creditors' cartel—is to pick off the nations of the world, one by one, and bankrupt them to force them under IMF austerity programs—*whether the country is viable and healthy or not*. The process began after the April 1982 Malvinas War, when the banks suddenly, without any economic justification whatsoever, pulled in their \$32 billion credit lines to Argentina. Next, Mexico suffered a run by bankers, and then Brazil was given the same treatment this December.

IMF officials reported the week of Feb. 7, that the perfectly viable nation of Venezuela, having some \$8 billion in reserves, is about to get the "Mexico" treatment. "Venezuela is certainly not bankrupt yet," an IMF official stated, "but the creditors' policy now is to force every nation, bankrupt or not, to come to the IMF for an austerity program. Venezuela is going to set a precedent. *From now on every country must have an IMF program, before it goes bankrupt.*"

The plan, a top official of Morgan Guaranty Bank said "is not a theory. It's already in practice. The banking community can no longer lend a cent to any developing country without an IMF program as a prerequisite. Virtually no country which does not have a preventative IMF program will get any credit."

The next countries on the list may be Colombia and Iraq.

In the former, the Betancur government is now under threat of a coup for its opposition to the IMF. Rumors are already circulating in the French press by Swiss-connected journalist Paul Fabra of *Le Monde* that Iraq is bankrupt, egging on creditors to cut their financing lines. Fabras's *Le Monde* this week attacked the French government for supplying planes to Iraq to defend itself against the Khomeini regime, and charged that Iraq "is a country far from any guarantee of stability or solvency."

Within one year, the IMF plans to add the United States to its list of victims. Just like the viable LDC nations before it who have been deliberately targeted by the IMF and the creditors' cartel, the United States will be forced—either because of troubles with the U.S. Treasury debt, the dollar, or the banking system—to submit to the IMF.

Attack debtors' cartel

A top IMF official said that the new IMF offensive is based on the need to "eliminate" the threat of a debtors' cartel, which could use the political power of its \$200-500 billion in debt to overturn the IMF world order and demand large-scale new credits for international trade and development. "The major topic of the IMF Annual Meeting last September in Toronto was Mexico," the IMF official said, which at the time nearly declared a foreign debt moratorium together with Argentina. "Everyone was very concerned. At this Interim Committee meeting, we intend to set up a system to get every country under a "preventative" IMF program before they go bankrupt. We are looking to eliminate occurrences such as Mexico and Brazil."

To do this, the IMF strategy is to call for "equality" of sacrifice, and tell the Third World nations, now reeling, that the United States must be made to sacrifice, too. If the United States and other industrial nations agree to "sacrifice," the Chase banker said, then the Third World will stick with the IMF. "The U.S. has to be more realistic about its budget," said Brazilian Central Bank chief Carlos Geraldo Langoni to the press. "If the U.S. wants us to tighten our belts, we must have a quid pro quo" of austerity in the United States, he said.

Judging from the delegations' behavior at Washington, the IMF has a good estimate of how low morale is in the Third World. Jacques de Larosière, who has personally butchered a dozen nations, was hailed by both IMF Interim Chairman Sir Geoffrey Howe and Monmohan Singh, the Governor of the Central Reserve Bank of India, as "the man of the year" and the "best friend of the Third World." The rationale, even among the Egyptian and Brazilian delegations, who should know better, is that de Larosière alone has faced up to the big bad commercial banks and demanded that they stay in on the IMF-run refinancing packages which each bankrupt nation is being put through. That is the equivalent of hailing as your savior a man who helps to mug you, waits until his accomplices leave, helps you to your feet, and then

kicks you down the stairs. But Singh and other Third World leaders hailed de Larosière in published speeches as “a dynamic leader. His recent initiatives,” Singh wrote in a major speech, “in encouraging flows of commercial bank lending to developing countries has contributed greatly to the restoration of a measure of stability in the international financial system. We have always looked upon him as a friend of the Third World.”

Similarly, the Group of 24 communiqué has dropped all of the attacks it made last September against high interest rates, stringent bank lending, and tough IMF conditionalities. Instead, they call for a vast expansion of the powers of the IMF, including 100 percent quota increases.

IMF: world central bank

For the IMF to become a true world central bank, however, it must control not only the budget of the United States but the sovereign right of the U.S. banks to issue credit, now controlled by the American Congress and the Federal Reserve. Although Congress has foolishly ceded much authority in this area to the Fed, the Fed is still nominally accountable to Congress.

Under the British plan for a world central bank, however—dubbed the Lever Plan for its author Lord Harold Lever—the IMF would be re-chartered to have international control over all credit issuance by U.S. banks and by the U.S. Fed. This plan was surfaced at the IMF Interim Committee meeting by Brazilian Central Bank head Langoni, spokesmen for the Federal Reserve, and the Washington press.

Under the first part of the Lever Plan, American banks would be forced to exchange their short-term debt holdings of Third World debt for long-term bonds modeled on the Big MAC bonds of New York. The Lever Plan has been made famous in the United States by Lazard banker Felix Rohatyn, the author of the Big MAC program, on which it is modeled. Working in cooperation with the Volcker Fed, which has written a series of secret reports on bank restructuring, congressman Charles Schumer (D-N. Y.) and House Banking Committee Chairman Fernand St. Germain (D-R.I.) have prepared legislation demanding that banks “stretch out” the debt longer term.

This plan is totally distinct from Lyndon LaRouche’s Operation Juárez in that it would provide no new credits for Third World development.

The plan was endorsed editorially by Hobart Rowan in the *Washington Post*. “Much of the total outstanding debt of the LDCs of 500 to 600 billion dollars will never be repaid,” he wrote. “Everybody had better start the process [of the Rohatyn plan] for time is running out.”

In addition, New York’s Federal Reserve President Anthony Solomon is promoting the idea that the last decade of “free market in world lending no longer functions.” Solomon believes that the U.S. banks should no longer be free to lend as they choose, but only under “global arrangement” with the

IMF, which should have the power of world credit allocation. The IMF, he says, should have the power to “decide world levels of lending necessary or desirable.” That is, once the banks’ existing loans have been restructured, all new lending will be dictated by the IMF.”

Bank restructuring

This program was endorsed at the IMF meeting by Brazilian central bank chief Langoni. Langoni, is promoting Solomon’s argument that we do not have individual debt crises, but a breakdown which requires an entire new monetary system. “This is not a liquidity problem, it is a solvency problem,” Langoni said. “The Mexican case has proven that the free market does not work. It spilled over into Brazil and other countries and shows that we need new institutional mechanisms for the restructuring of debt.”

Once the current individual debt crises of Mexico, Brazil, and Argentina have been stabilized, a European IMF official told *EIR*, “then more extensive regulation of the U.S. banks, which has long been promoted by the Bank for International Settlements, must be undertaken.”

From the Financial Times

Below are excerpts from an article by Anthony Harris in the Financial Times of London on Feb. 10, titled “The Micawber Approach to Debt.”

“Brazil, Mexico and Argentina are close to collapse, and bank shares are rising.” This bitter observation comes not from the new report of the Brandt Commission, out today, a left-wing City-basher or a spokesman of the New Economic Order. It comes from a high official, who must be nameless under house rules, who met with some 50 other central and commercial bankers, politicians and officials at Ditchley last weekend to discuss the debt crisis. . . .

Anti-banker emotion was quite widespread at Ditchley, with one speaker after another calling for financial penalties, tighter rules and generally more seemly behaviour—and there would indeed be something deeply offensive about the current spectacle of bankers boasting about the profits they make out of rescheduling, if one seriously believed that the debts would ever be repaid in full. However, the fact is, as Lord Lever has pointed out, that rescheduling is simply a way of

postponing the day of default, at the cost of a bigger default when it comes. . . .

The current account of these countries would have recovered smartly if the developed world had not slid into recession two years ago. . . . After the severe austerity programmes in these countries have been imposed, if there is a reasonable recovery in the West, the borrowers will quickly return to a sound position; but if stagflation continues, they will make no progress at all. . . .

Financial strain is not a symptom of recession, but the fundamental cause; our malaise is financial. The austerity programmes adopted by Third World borrowers will depress world demand by \$17bn this year, according to the OECD. Similar austerity imposed by overstretched commercial borrowers will have a bigger effect, because their debts are bigger. Capital formation in the U.S., for example, is 9 per cent down. . . .

The much discussed credit contraction, which all the pragmatic arm-twisting in the banking world at present is supposed to prevent, was already a fact before the bankers took fright. For the most dynamic developing countries, the interest burden caught up with the flow of new capital two years ago; the much-criticized "explosion" of lending has made virtually no new resources available to them as a group, and the new programme implies rapid net repayment of debt. . . .

The real problem is to arrange finance on manageable terms, and unless we are quickly able to resolve our policy crisis in the West—an unlikely outcome, according to the participants at Ditchley—this must mean a break from market-related money interest rates. The British Government has made this break with its indexed gilts (and thereby reduced money rates on conventional long-term borrowing). Loans indexed to the commodities which the borrowers export might also be floated at relatively modest rates, if not the 2½ percent achieved here.

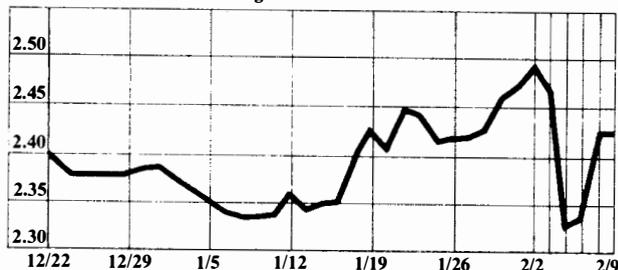
Such proposals are resisted on three grounds, two of which are openly declared. First, the time is not ripe—the classic bureaucratic evasion. Second, it would "let borrowers off the hook," and even prove inflationary—which is pernicious nonsense. There need be no "hook"—the debts, as bankers are the first to protest, would be perfectly reasonable in a reasonable economic environment. And funding itself is not inflationary—on the contrary, it is the principal weapon used by our governments to fight inflation. What is inflationary is to pile more bank debt and more IMF and other resources on past lending. Have the central bankers secretly opted for the the generalised bankruptcy which is called inflation?

The final, unmentioned, problem is this: refinancing sound borrowers in the long-term market will leave the banks with an even more questionable bunch of assets, and somebody might notice. So the banks, too, may need refinancing—a prospect which should depress the share prices found offensive at Ditchley. . . .

Currency Rates

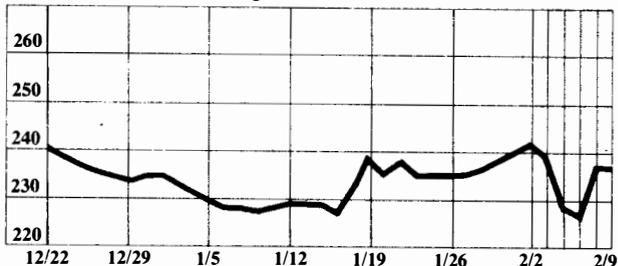
The dollar in deutschmarks

New York late afternoon fixing



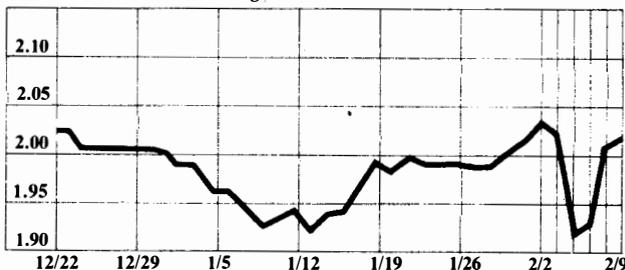
The dollar in yen

New York late afternoon fixing



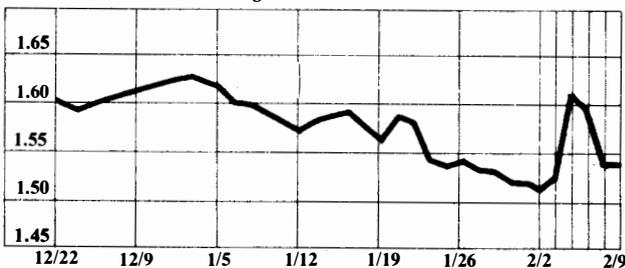
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Gold and "M-World"

South Africa (via the International Gold Corp.) considers its place in a brave new monetary world

The South African authorities are skilled at keeping their counsel, and do not easily let outsiders read their intentions. Nonetheless the contents of a "gold pricing model" published indirectly by the South Africans, through their New York firm, the International Gold Corporation, must raise some eyebrows: a careful reading shows that the South Africans have mixed themselves adroitly into the present, far-from-academic debate concerning the future of the world monetary system following the dissolution of the present one in the not very distant future.

A press release issued Jan. 28 by the International Gold Corporation says the following:

"Variations in gold prices can be explained through the influence of major economic and political variables according to the gold pricing model developed by the International Gold Corporation. . . . The rate of growth of world money supply, the foreign exchange value of the dollar and real economic activity worldwide are the dominant influence in the gold price. . . . Most prominent of these is the rate of growth of world money supply.

"Because gold is regarded internationally as a currency unit, "the release continues, "it serves as a store of value and, occasionally, as a means of exchange. For that reason . . . gold's market value is determined by the relationship of gold to all other curren-

cies supplied to the financial markets. The faster the growth of money, the stronger the gold price."

Considerable speculation has been aroused concerning the stickiness of the gold price in the \$490-500 range. Friends of Dr. Robert Mundell, the advocate of return to the gold exchange standard with the greatest (if indirect) influence in the Reagan Administration, are now arguing that Mr. Paul Volcker fears to permit money supply to rise such that the price of gold would either exceed the \$500 level, or fall underneath the \$400 mark. No one need take such allegations serious as currently presented.

Readers of such delphic utterances must put themselves in the frame of mind of the people who own most of the world's gold, who (and we may thank the International Gold Corporation for having earlier published the first comprehensive documentation of this fact) are the old European *fondi*, or old family fortunes of Switzerland, Italy, Germany, France, and Britain.

The *fondi* (as they call themselves) have no illusions that the present monetary order can survive more than a matter of months, at best, and they consider what institutional arrangements that might follow were best suited to their interests. They would prefer to take matters out of the hands of mere sovereign nations.

The most vociferous advocate of supranationality among circles who have the ear of the Reagan administra-

tion is Mr. Mundell. His disciple, Prof. Ronald McKinnon of Stanford University, is a favorite of the London *Financial Times*. Prof. McKinnon has coined the term "M-World," i.e., a unified world money supply, to argue that individual nations' economic policies no longer matter, and that nothing short of a world monetary authority dictating credit policy to individual nations will set the world economy aright.

"I am neither a Keynesian nor a monetarist," protests Prof. McKinnon. "Both of the schools attack me, because they still favor national sovereignty in world monetary affairs."

Since the Versailles summit of industrial nations' leaders last July, the notion of such supranationality has been far from academic. For the first time the notion of "coordinated exchange rate intervention" to stabilize currency parities was raised; and although this notion has foundered on lack of interest in the Reagan administration, nonetheless it remains on the official agenda.

Since all central banks now insist that the relative value of currencies is determined by money-supply growth, the implications of such "coordinated intervention" are not really far short of what Prof. McKinnon has proposed.

Under conditions of general monetary chaos, what will the central banks do? As the central banker to central bankers, Mr. Fritz Leutwiler of the Bank for International Settlements told a gathering at Davos, Switzerland the first week in February, the answer is nothing—until governments give them a free hand—and then a great deal.

The South Africans have apparently made their bid to be a member of this party whenever it chances to form.

Consumer movement hits dairy industry

The federal marketing order program guaranteeing the nation's milk supply, may be "deregulated."

Federal marketing orders, designed to create price structures and marketing structures for the U.S. dairy industry, were set up in 1937 to ensure a supply of fresh whole milk to every city and rural area in the country. This government-administered program has guaranteed both the quality and quantity of milk available to the U.S. population—something essential for so perishable a product—and dairy farmers' ability to maintain and expand production.

Now, the courts are opening this program up to challenges from the "consumer movement." A Washington, D.C. appellate court ruled Jan. 21 that individual consumers have the standing to challenge the federal market order provisions. The decision reverses a 1972 ruling which dismissed a consumer suit on the grounds that Congress had actually intended to preclude judicial review of individual consumer challenges to market orders when the program was established, to protect the quality of the nation's milk supply from "free market" sabotage or narrow interest groups.

The current challenge to the marketing orders program was brought to court in 1979, when three individuals and a milk handler associated with the Washington, D.C.-based Community Nutrition Institute (CNI) requested that the USDA reclassify reconstituted milk under market orders. Reconstituted milk is not currently sold in the United States, but could be a valuable food product for industrial use or for export.

The Consumer Nutrition Institute is very explicit about the intention of its challenge to the marketing orders

program. The issue is not the right to produce and sell reconstituted milk; it is essentially to "deregulate" the U.S. dairy industry. If reconstituted milk, which does not require refrigeration, could be sold throughout the country, a CNI spokesman said, then "there would be no need for the marketing order program."

The January decision to give the CNI consumers the legal standing to sue sets a precedent for initiating the same kind of deregulation process that is now undermining the trucking and airlines industries in the United States. As Wayne D. Rasmussen, historian at the USDA, points out, the production and processing of milk is one of the great success stories of the United States. Yet for more than 20 years, the amount of milk produced, the total number of dairy cows in the nation, and the amount of milk consumed by the average American has been declining—not to mention the vast overseas markets that have never been realized under the present monetary system.

Historically, milk supplies for American cities were severely limited by lack of adequate refrigeration and transportation; in 1896, the entire population of New York City was supplied by 2,500 cows stabled in the city. Even after modern refrigeration methods were developed, milk supplies were completely unreliable due to seasonal changes in production and chaotic marketing practices.

Only the 1937 Agricultural Marketing Agreement Act, which established the marketing order program, changed this situation.

The appellate court ruled January that consumers' interests, i.e., the production and distribution of reconstituted milk, were injured because reconstituted milk is not included in the federal program. This could open the way to making distribution of fresh milk prohibitively expensive. Reconstituted milk would make current federal regulation "unnecessary," and possibly lead to abolishing the program.

This would "undermine the entire federal order program," said a spokesman for the National Milk Producers Federation, "and cause a disastrous drop in farm income."

At the same time that the program that structures milk prices and distribution is being opened to attack by the courts, the USDA is going ahead with the second part of the dairy assessment tax policy, intended to force reduced dairy production and reduce the outlays of the Commodity Credit Corporation (CCC) to purchase excess milk. As of April 1, producers will pay \$1 on each hundredweight of milk sold between that date and Sept. 30. If the dairy farmer can prove he has reduced his sales by 10.3 percent, he will be eligible for a 50¢ refund from the CCC.

Part one of the tax assessment went into effect on Dec. 1, but a federal court in South Carolina has blocked collection of the tax so far because the USDA had failed to follow correct procedures in implementing the tax. The law required the Agriculture Secretary to determine whether there would be enough excess production to apply the tax before the marketing year began by holding a series of hearings around the country. These hearings were not held, although regional production levels are well known. Despite this technical delay in the first assessment, USDA has no plans to hold up the second phase of the program.

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$25 mn.	U.S.A. from West Germany	A new system for removing mine overburden by the shortest route will be installed in Texas utilities Co.'s Big Brown Lignite Mine. The system, invented and manufactured by Mannesmann Demag, involves bucket wheel excavators and a newly-designed cross pit spreader (XPS). The XPS carried the overburden on the shortest possible path 1,000 ft. across the pit to the dump site. The conveyor belt runs on a 670-ft. cantilevered boom which is supported entirely from one end by cables attached to a 200-ft. mast.	Plains Machinery Co. of Amarillo and Texas Utilities cooperated in engineering.
	Spain from Holland/U.S.A.	State-owned Enpetrol has bought a catalyzer from Holland's Adzco for the 2.4 mn. tpy fluid catalytic cracker (FCC) which is scheduled to be on stream in the Puertollano refinery in June. Other companies which have provided components include Babcock & Wilcox, Ingersoll Rand, Foster Wheeler, Pathway, and Airoil-Flaregas.	Enpetrol plans 4 more FCC units to give it 8 mn. tpy capacity by 1986.
\$7.5 mn.	Peru from Japan	Peru has ordered from Niigata Engineering a plant to make "odorless powdered fish meal" for adding cheap protein to foods ranging from spaghetti to cookies. Niigata explains that this will save debt-ravaged Peru from having to spend foreign exchange to import wheat to feed its population.	
	Indonesia from Japan	Indonesian legislation forcing automotive assemblers to substitute specified domestic components for previously imported ones has the approval of major Japanese truck producers. Toyota, Mitsubishi, and Daihatsu motor companies will buy all the frames for the 2.0- to 3.5-ton trucks they assemble in Indonesia from GKD, an Indonesian firm.	Observers expect similar Japanese flexibility in other ASEAN countries. Not bad business for the Japanese: GKD bought their 2,000-ton press and frame technology from Mitsubishi.
\$3 mn.	Indonesia from U.S.A.	Indonesia has ordered from Planning Research Corp. of McLean, Va., a master development plan for an industrial export city located on the straits of Malacca just 12 miles from Singapore. Batam Center will be on Batam Island, which already has port facilities.	
\$800 mn.- \$1 bn.	Algeria/Brazil	The two govts. signed trade protocol aiming at doubling or more last year's trade levels of \$200 mn. in each direction. Brazil proposes to double its oil imports at official OPEC price. Brazil will be favored in international biddings in Algeria, and will increase sales of numerous products, including 10,000 Brazilian VWS.	Not barter deal, since Brazil pays cash for oil, while providing credits for its exports. But this could change if Brazil has its credit cut off. Brazil is seeking reciprocity for all of its \$8.4 bn. oil purchases expected in 1983.
\$62 mn.	United Arab Emirates from West Germany	United Arab Emirates will use the waste heat from electric plants to desalinate sea water. It has ordered 8 boilers from Borsig of West Germany.	Boilers will turn exhaust heat from gas-fired turbines into steam for use in two desalination plants.

Business Briefs

Labor

Bankers, IMF say 'smash U.S. contracts'

The IMF's proposed austerity program for the U.S. economy must begin with reopening and smashing labor contracts in this country in order to "cut American's consumption as far as possible" and bring on the "post-industrial society," a Federal Reserve economist told a reporter Feb. 8. The Fed official named the following industries' unions, whose contracts are up in 1983, as top targets for contract reopening this year: tobacco, building trades, glass, aluminum, copper, steel, communications, and aerospace.

This Fed spokesman is also secretly the chief economist for a bipartisan committee of 500 Wall Street bankers who want to slash the U.S. budget. The committee, led by Peter Peterson, head of Lehman Brothers, Kuhn Loeb, Robert McNamara, and Henry Fowler, is working closely with the IMF to force the IMF's demands for a large U.S. budget cut through Congress.

The Federal Reserve believes that Paul Volcker's depression has succeeded in "squeezing the average U.S. labor contract annual wage gain down close to zero," the Fed spokesman said. According to two secret Fed studies, entitled "The Natural Rate of Unemployment" and "How Recession Has Slowed Wage Growth," the economist stated, "the recession has successfully locked in a declining wage growth for 1982 and 1983, and it will stay that way."

"However, this is not adequate," he continued. "And more needs to be done to enforce an absolute reduction of wages. Most U.S. industrial wage rates themselves are much too high to be competitive with not only Japanese but South American labor rates. . . . Most workers who are now out of work in major U.S. industries such as auto, steel, construction, and other bellwether sectors will not be coming back to those industries, and that means that if those who are left wish to survive, wages in those industries must be reduced."

What must be done, he stated, is to "reopen" every major U.S. industrial union

contract and force major "givebacks" across the board this year. The Wall Street bankers of the Peterson bipartisan committee, he said, are working jointly with New York Fed President Anthony Solomon, Fed Chairman Paul Volcker, and the big corporations of the Business Roundtable to do that.

If the companies take the initiative, then the U.S. government can also secretly step in and set an "incomes policy, a set of informal guidelines" to help lower the wage rates, the Fed man stated. The current USWA steel contract, recently reopened, "is the model."

Banking

Ditchley plots to force hand of Congress

The Ditchley Foundation in Oxford, England hosted a secret meeting the first weekend in February, attended mainly by British financiers and a few Americans. The Bank of England's Kit McMahon, "chief of rescue operations" for the British central bank, presided over the discussion.

According to an eyewitness, an IMF official declared "Brazil, Mexico, and Argentina are close to collapse—and bank shares are rising." The same eyewitness stressed, "What was good about that meeting at Ditchley was how much it showed that bankers never believe one word of what they're saying. It was touching."

Be that as it may, the "consensus" that emerged was that—barring the realization of a half a dozen utterly fantastic *ifs* such as a major U.S. recovery, a sizeable drop in interest rates, a smooth process of rescheduling in the meantime—"in a timetable of 12 months, there will be the fall-off: a pyramid of debt moratoria and straight debt repudiation. The 'debtors' cartel' is an idea that has been floating around a lot. . . ."

The result, the reporter finished, is that "there is tremendous pressure *now* on the United States for a bailout; Wall Street and parts of the administration are working on it . . . they're pushing hard on Congress—but they've been compelled to scale down the requested quota increase."

World Debt

Kissinger Associates to 'advise' Venezuela

A founding member of Kissinger Associates, William D. Rogers, has been named a special "adviser" to the Venezuelan Finance Ministry on matters of debt negotiations, according to published reports in Caracas. The Washington-based Kissinger Associates, named for the former Secretary of State, is a front for British intelligence. It was founded during the Malvinas war in the spring of 1982.

"Hiring Rogers to advise you on how to handle your debt is like putting Dracula in charge of a blood bank," a spokesman for American economist and *EIR* founder Lyndon H. LaRouche stated. Rogers, a former Undersecretary at the State Department, and his Kissinger Associates colleagues are sworn to destroy the Third World, the spokesman said.

Before long, Venezuela will hire Henry Kissinger himself to run foreign policy, the *Diario de Caracas* commented Feb. 4, and added that the government could "name some ex-director of the CIA to head our intelligence services."

International Credit

Anglo-Soviet ploys in Yugoslavia

The monthly Bank for International Settlements (BIS) meeting broke up Feb. 7 after refusing to give emergency money to Yugoslavia because of the Yugoslav government's unwillingness to accept a BIS ultimatum to pledge its gold reserves for credit.

The Yugoslavs were asked to pledge their gold reserves against \$200 million of the \$500 million credit they were supposed to receive immediately. The remaining \$300 million from the central banks was to be a "bridge" loan for IMF loans. The Feb. 8 *Financial Times* says that Yugoslavia's entire \$1.3 billion "rescue package" is now

jeopardized.

According to a "cautious" bank source in Austria, this is part of the pressure being put on Yugoslavia by both London and Moscow before the March 7 Non-Aligned conference. Yugoslavia was a founding nation of the Non-Aligned movement. The banker said that "Yugoslavia is a mess. The collective leadership [rotating one-year presidencies] is a farce. Yugoslavia is on the brink of catastrophe . . . and the gold is all the Yugoslavs have left." The source went on to say that the name of the game is "pay gold or Andropov." Anglo-Soviet maneuvers include pressure by manipulating oil deliveries and oil prices. Yugoslavia's two leading suppliers are the Soviet Union and Libya. "Yugoslavia's blackmail by Andropov began the day after Brezhnev's funeral," the banker concluded.

Foreign Exchange

How to get a world money supply?

In a recent speech before the U.K. Parliament, British Chancellor of the Exchequer Geoffrey Howe asserted that world monetary arrangements "could no longer be based solely on the U.S. dollar." Howe was telling the British Parliament that the major obstacle to world economic recovery was the budget deficit in the United States, and that "international frameworks" had to be created to "impose discipline" on all countries. The new system, Howe stated, had to be shaped on a "multicurrency basis."

Howe was making public a long-standing Bank of England plan for creation of what the British like to call "world money supply," a system of central bank coordination where the major nations of the world jointly regulate how much money they are allowed to print on the basis of "global" monetary aggregates. The chief spokesman for "world money," which is actually a form of global cartelization of credit, is a Hoover Institute monetary affairs specialist, Prof. Ronald McKinnon, whose career was launched in U.S. monetarist circles by the Bank of England, through McKinnon's close

friend, London *Financial Times* monetary affairs specialist Samuel Brittan.

World Bank

Brandt Commission circus performs in Bonn

Former British Tory Prime Minister Edward "Teddy" Heath introduced the presentation of the latest policy report of the Brandt Commission to the Bonn press corps Feb. 9 with a set of "demands" to be made by developing countries governments in negotiations for "fair treatment."

Heath said the Brandt Commission favors "collective renegotiation of Third World debt," which would include turning short-term debt into long-term loans to developing countries. IMF conditionalities, said Heath, "must be changed," because they are completely "unrealistic . . . unless you want to produce revolutions."

"Sonny" Ramphal, the General Secretary of the British Commonwealth Secretariat, proceeded to endorse Henry Kissinger's "plea" published in *Newsweek* at the beginning of February to the effect that "North and South really do need each other."

The report eventually reveals what it means by "renegotiation." The IMF should be empowered to issue more of its "Special Drawing Rights," backed in part by funds from the "surplus" countries like Japan, the United Kingdom, and West Germany, according to the report. In order to centralize all credit flows to developing countries under its own surveillance, the IMF should borrow any money it requires on the international markets.

The Brandt Commission report winds up joining hands with the "Peace Commission" of Swedish Social Democrat Olof Palme, by denouncing military spending as inherently inflationary. However, in opposition to a U.S. program to develop beam-weapons, as both war deterrent and "science driver" to the economy proposed by economist Lyndon LaRouche, the report says that "the alleged benefit of technological spin-offs from arms spending is a totally fallacious idea."

● **JESSE HELMS** (R-N.C.) has introduced into the U.S. Senate the Agricultural Export Equity Act of 1983, a bill calling for the foreign sale rather than donation of surplus U.S. dairy products bought from farmers by the Commodity Credit Corporation. Sales of low-priced surplus products could undercut European and Ibero-American producers, and escalate current rivalry over markets.

● **PAUL VOLCKER**, the Fed chief, promised commercial banks in January that any loans they give from now on to countries implementing austerity programs designed by the International Monetary Fund will be considered "good" by regulatory authorities, even if the countries don't pay. Bankers, however, seriously doubt whether Volcker's promise has any clout. "It's not a real guarantee," one New York bank economist said, typifying the reaction of many others interviewed. Banks are also concerned that the Comptroller of the Currency, who also has jurisdiction on these matters, may not agree with Volcker's promise.

● **THE AMERICAN** Bankers Association will release a statement the week of Feb. 14 supporting a U.S. bailout of the International Monetary Fund. However, ABA lobbyists are working overtime on Capitol Hill to try to prevent Congress from attaching the bailout legislation to a program for stringent government regulation of the private commercial banks. The ABA strategy is apparently to strike a deal where Congress will only ask for "increased disclosure" of the banks' financial situation, and otherwise leave the regulatory process in the hands of the agencies now responsible.

Will Israel find the moral fitness to survive?

by Nancy Coker in New York and
Mark Burdman in Wiesbaden

In bringing about the ouster of Defense Minister Ariel Sharon, Israel's state commission of inquiry may have blocked the imminent outbreak of a new Middle East war. It also may have provided the margin for Israeli nationalists to head off the continued moral dissolution of their nation.

Authoritative sources in Israel and Europe have indicated that the commission of inquiry, operating on the basis of intelligence provided by the Israeli army and the United States, as well as by a number of services including *Executive Intelligence Review*, issued its findings several days earlier than expected in order to preempt a planned strike by Sharon, possibly against Pakistan's nuclear facilities. Sharon was also known to be pressing for a "little war" with Syria, and was circulating a secret Mossad report on the "merits" of waging war with Egypt.

In calling for Sharon's removal from office on the grounds that he bore "personal responsibility" for last September's bloody massacre of Palestinians in Beirut, the commission of inquiry has potentially broken the grip that Khomeini-style "political messianism" has had on Israel in recent years.

Whatever confusion Israelis may feel over whether or not the war in Lebanon was justified, what was clear to the commission of inquiry and what is clear to many Israelis is that Sharon, in allowing for the senseless slaughter of humanity in Beirut, went too far, and that his transgressions were transgressions against the basic tenets of morality that Israel, since its inception, has claimed to uphold.

The commission of inquiry's findings and Sharon's subsequent dismissal may close the book on the Beirut massacre. They do not, however, resolve the question, "Whither Israel?"

"I am very glad that Sharon is getting his due for what he did in Lebanon," commented one Israeli journalist. "But when my foreign friends congratulate me for the commission of inquiry's decision, I tell them that there is nothing to celebrate. It is a sad day, really, when your country's top ministers and military leaders are indicted for murder, even when you are convinced, as I am, of their guilt."

As leading Israelis know, Sharon's crimes go beyond murder. "Sharon should



Peace Now demonstration near the prime minister's office in Jerusalem. On Feb. 10, pro-Sharon demonstrators hurled a grenade into a crowd of Peace Now marchers, killing one person and wounding several. Israeli newspapers denounced Sharon for orchestrating the attack.

be tried for treason," said another Israeli, "and I bet if someone had the wherewithal to follow through with it, he would be found guilty."

From the moment he assumed the defense portfolio, Sharon pursued policies counter to Israel's better interests, commandeering the government and the army along a dangerous course of political, military, and economic brinkmanship that has imperiled the country's survival. At the behest of the intelligence services of Great Britain, with which he is closely tied, Sharon cultivated secret relations with Moscow, in the interest of knocking the United States out of the Middle East and achieving what he has claimed would be "independence of action" for Israel. Both Britain and the Soviet Union have worked out a tacit arrangement to undermine American influence in the region and to use Sharon as a tool in this endeavor. Sharon's insane Greater Israel ambitions, his willingness to defy the United States in pursuing these ambitions, and his unparalleled ability to stir up anti-American sentiments in the Arab world and in Israel have endeared him to Moscow and London. For example, in a speech following the release of the commission's findings, Sharon attacked the commission for cooperating with an "American plot" to unseat him and install the opposition Labour Party in his stead.

"The best friend Moscow has in the Middle East is Sharon," stated one observer. "As for the United States, Sharon has become a strategic liability."

"Sharon has been playing a very dangerous game with the two superpowers," another source noted. "Israel could get crushed if Sharon doesn't watch out. In my book, Sharon

is a traitor, because he has put Israel's very existence at stake."

Israeli army draws the line

In the first few days following the release of the commission of inquiry's report, Sharon gave no indication that he intended to fade quietly from the Israeli political scene. He emphatically declared that he would not resign. And he privately threatened Prime Minister Begin that he would bring down the whole house of cards should Begin fire him. "Begin was afraid of Sharon," said one Israeli insider. "Sharon was ready to get up and say, 'Everything I did in Lebanon I did with your permission.' It was blackmail, that's what it was."

Sharon also strove to stir up the Israeli army to reject the commission's recommendations. "Sharon and [Chief of Staff Rafael] Eytan are playing with the army," the source continued. "He is organizing a French-style OAS type of resistance against the commission, telling the army that the commission's actions were not correct, not fair, that the commission attacked officers who were only doing their job."

Although Sharon still enjoys the support of a significant military faction, Israeli intelligence sources report that it was the army more than anything else that influenced the commission of inquiry to issue its findings early in order to preempt a new military adventure by Sharon. "The Israeli army was already on the hot seat for what had happened in Beirut. They weren't eager to be dragged into any new escapades that would harm them further," one Israeli said.

"If Sharon had had the slightest morality, he would have snapped to attention, saluted, and disappeared after the com-

mission declared him guilty," another source commented. "The old military types like Douglas MacArthur would understand this. Unlike Sharon, MacArthur was a soldier. He had that kind of morality."

Sharon: ambitious and duplicitous

Among Israeli nationalists, Sharon is recognized and despised for being the unabashed fascist that he is. "Sharon is obsessively ambitious," stated one Israeli emigré. "He has no regard for legalities, for constitutionality, for traditions. Our perception is that throughout the Lebanon campaign, he did things behind Begin's and the cabinet's back—going beyond the 40-kilometer line in southern Lebanon, for example, despite pledges to the contrary."

Within days of his invasion of Lebanon, Sharon moved quickly to build up infrastructure in that war-torn country, laying roads and putting in elaborate communication systems to facilitate, among other things, dope-trafficking among the Israeli, Syrian, and Lebanese mafias, to whom he is known to be closely linked.

While Sharon's ouster as defense minister is a moral victory for the state of Israel, the continuing crisis in which Israel finds itself will only be resolved when the extremism of the Eretz Israel blood-and-soil cult associated with Sharon is abandoned and the country returns to the ideas of nation-building and economic development that characterized the 1948-67 period.

During this period, many of Israel's actions, particularly in the political sphere, were hardly commendable—a not surprising fact given the role of the British in creating and manipulating Israel to keep the region off balance and vulnerable to London's strategic games. Nevertheless, many Israelis, whatever else they may have thought they were doing, wholeheartedly threw themselves into building Israel's economy. Thus, there emerged a legacy of state-building that many Israelis now long to see revived in lieu of the extremist, land-grabbing policies of Ariel Sharon.

Israel's achievements in building up its economy during this early period, dramatic as they were, could have been more so if Britain had not blocked a Middle East peace settlement in the late 1940s. According to recently discovered secret diplomatic documents, several Arab states were ready to reach a peace agreement with Israel in 1949, but were dissuaded from doing so by Great Britain out of fear that an Arab-Israel bloc would consolidate itself independent of British control.

Destroying the dream

Over the last 15 years, the goal of the majority of Israelis to build Israel into a beacon of culture and science for the region and the world has been rudely sidetracked, and instead, under the guidance of what was once a radical-fringe minority, Israel has been gradually transformed into an in-

tolerant theocracy, whose extremism many Israelis compare with that of Khomeini's Iran. The similarities to Iran are no coincidence, given the central role that the Begin government, working with Great Britain and Cyrus Vance, played in putting Khomeini into power and in keeping him there.

The last 15 years have also witnessed the steady deterioration of the Israeli economy, now staggering under the weight of monstrous debt service requirements, military expenditures, and declining productivity.

Most alarming of all has been the drastic changes that have taken place in Israel's most valuable resource: its population. In 1981, for the first time in Israel's 35-year history, more people left Israel than settled there.

The negative immigration balance is not simply due to a desire on the part of Israel's citizens to seek greener pastures in the West. "I do not like living abroad" is the common refrain of many Israelis who have left Israel. "But I cannot live in Israel. It is not the threat of war—that I can live with. The problem is that there are no jobs at my skill level. There are no affordable apartments, unless, of course, I'm willing to go live on the West Bank. So I'm here until the time is right for me to go back."

The threat of civil strife

Complicating the situation for many emigrés is the fact that "home" is no longer the home it used to be. Since the 1967 war, and more intensively over the last five years, the social fabric of Israel has been radically altered by the rise of irrationalism, which, to many Israelis, particularly those of European origins (Ashkenazim), portends a replay of the insanity of the 1930s.

The Ashkenazim tend to see themselves as the bearers of European Jewish cultural and political traditions in Israel. Late last year, Israel's Ashkenazim were the targets of mobs of economically and culturally deprived Oriental Jews—those Jews hailing from North Africa and the Middle East who are now the majority of Israel's population. The Orientals rampaged through Jerusalem and Tel Aviv, painting swastikas on the walls along with slogans reading, "Send the Ashkenazim to Auschwitz, Treblinka, and Dachau!" The incident struck horror into the hearts of Jews around the world, most of whom had believed Menachem Begin's pious vows of "Never again!" Now, Begin's political supporters were running wild in the streets of Israel threatening, "Again!"

Israel's Oriental Jews comprise the bulk of Sharon's and Begin's political base; many continue to back Sharon despite the commission of inquiry's censure of him, on the grounds that "it was only Palestinians who were killed" in Beirut. To maintain the loyalties of the Oriental population, Sharon and Begin have deliberately manipulated the virulent anti-Arab sentiments of many Orientals and have played upon their rage and frustration over their second-class status in Israel. Rather than concentrating on uplifting the Orientals from the backwardness that has dominated their lives since before

their arrival in Israel, the Begin-Sharon government has preferred instead to encourage the Orientals to vent their anger against Israel's Arab neighbors and against the Ashkenazi-dominated Labour Party "establishment."

A well-known Israeli novelist commented ruefully on the devolution that Israel has undergone: "In the 1948-67 period, the idea of building a state as part of an international community of states predominated in Israel. Now, all that is passé. Since 1967, and even more so recently, the Israeli population has been made paranoid and parochial. We've been taught to hate. We've been brainwashed into believing that the entire rest of the world is out to get us. For example, our schools do not teach world history any more, only Jewish history, because to matriculate these days, only Jewish history is required. I hate to say it, but Israel has slowly but surely arrived at the edge of becoming what so many of us, ironically, fled 40 and 50 years ago: a fascist state."

Throughout Israel and the Jewish diaspora, there are bastions of opposition to the Khomeini-ization process now ongoing in the Jewish state, mainly centered among old-line factions of the Israeli intelligence community, the armed forces, and the labor movement. One such base of opposition is found within the Histadrut, Israel's giant trade-union confederation whose several large affiliated companies are known for their decades-long tradition in construction, scientific development, and technologies associated with the "make-the-deserts-bloom" attitude that characterized the pre-1967 period in Israeli history. Many leaders of the Histadrut, and of the Histadrut's Hevrat Ovdim holding company, want now to reinvigorate that historical commitment and are fighting a battle against factions within the Histadrut who want to cash in on real-estate speculation, construction boondoggles, and related scams promised by Sharon's annexation of the West Bank.

Another base of opposition to the Khomeini-ization process is found in the National Religious Party around Interior Minister Yosef Burg. In a revealing statement published in the Israeli press early this year, Burg asserted that he has always been against messianism in all its forms as a basis for state policy, and would oppose manifestations of that mentality now. Burg is currently in a bitter faction fight with National Religious Party fanatics like Haim Druckman, who want to destroy the Burg machine and merge the NRP with the most extremist elements inside the Israeli political scene.

As an institution, the Israeli Labour Party has up to now done little to counter Israel's downhill slide. Factional warfare between Labour Party leader Shimon Peres and former Labour Prime Minister Yitzhak Rabin continues to drain the energies of the party, keeping it an ineffective counterpole to the Khomeini-ization process taking place all around it. Yitzhak Navon, who recently announced his decision not to seek a second term as Israel's President, could reunify the party if he chooses to take up the fight and challenge Begin for the prime ministership. Sharon is fearful of this possibility and

has committed himself to preempting it.

No to fundamentalism

The fear among Israelis of an upsurge of a new irrationalism threatening Israel's very existence, is widespread. Last month, radio, television, and newspapers throughout Israel picked up and published, with alarm, an exposé from the Jan. 18 issue of *EIR* on how a group of U.S.-based Christian fundamentalists, supportive of and supported by Ariel Sharon, were working with a group of Greater Israel Jewish fundamentalists in Israel to set off a bloody wave of inter-religious warfare in the Middle East.

The *EIR* story and subsequent Israeli press coverage focused on the secret activities of the Temple Mount Foundation, an organization headed by California wheeler-dealer Terry Reisenhuver, a millionaire and self-proclaimed reincarnation of the prophet Nehemiah. Evidence compiled by *EIR* and independently corroborated by Israeli investigators showed that the Temple Mount "crazies," the term used by the Israeli press, were buying up land in the West Bank to expedite Sharon's plan to annex the area, and were also promoting a project to build the Third Temple in Jerusalem on the very spot where the Dome of the Rock Mosque, the second holiest shrine in all of Islam, now stands.

The widespread exposure of the Temple Mount Foundation's planned escapades in Israel has dealt a severe blow to its efforts to destabilize Israel. "You can be sure that there will be no Third Temple built in Jerusalem," stated one veteran Israeli political observer.

The close ties that the Begin government has cultivated with American fundamentalists have many Israelis worried, and rightly so. Evangelicals such as Reisenhuver are the American Christian-in-name-only version of Iran's Khomeini, and are run by the same top levels of British intelligence that put Khomeini into power, and that sponsored Hitler and Mussolini earlier in this century.

The rise of Christian fundamentalism in the United States and its link-up with Jewish fundamentalist extremists in Israel are part of a project, set into motion originally in Great Britain and currently run out of the Stanford Research Institute in California, to spread occult irrationalism and related forms of kookery in the American population, in order to soften it up for a new form of fascism in the 1980s. Leading evangelicals are now pushing zero-growth "greenie" propaganda, since zero growth brings the apocalyptic end of the world and the Messiah's second coming one step closer. Leading evangelicals also want Israel to be the vehicle for launching World War III to bring about the apocalypse, on whose eve all Israeli Jews will, according to perverted fundamentalist belief-structure, convert to Christianity.

Why would any Israeli want to work with such cutthroats? The problem lies in the fact that many Israelis, particularly those associated with the Begin government, have been captivated by short-term strategies, losing sight of the longer-

term realities whose dire consequences will not spare Israel. Hence, Israel's "strategic" cooperation with Khomeini; hence, Sharon's "strategic" cooperation with known neo-Nazi operatives in Europe and the Middle East; and hence, the willingness of Begin and other leading Israelis to work with the American evangelical crazies because of the latter's "useful" pro-Israel pronouncements.

Such dangerous pragmatism on the part of leading Israelis, which has allowed Israel to embrace the Christian fundamentalists and to nurture on Israeli soil its own brand of Jewish fundamentalism, has fostered an irrationalist world outlook that traces its roots back to the mystical, witch-dominated Kabbalism invented in Spain in the 12th century. This outlook negates any lawfulness in the universe, and defies the real universal values of Judaism. It also defies the existence of Israel, which is rooted not in any special "racial Jewish" particularity, but in the application of the universal principles of science and development to the Israeli context.

"Israel's problem is that it is not a Jewish state," said one Israeli wryly. "I am not criticizing Israel's secularism—that is not the point. What I am saying is that this Greater Israel cultism and Jewish fundamentalism spits on 2,000 years of Jewish history. We have always regarded ourselves as a 'light unto the gentiles,' helping to contribute civilized mores to every country where we have lived.

"Now look what's happening to us because of this Greater Israel policy. If we annex the West Bank and make the Arabs citizens, like the Arabs inside Israel itself, then we will soon no longer be a Jewish state. If we don't give them citizenship, then we're just another South Africa. That's not what Israel was created for.

"Sharon," he continued indignantly, "says the answer is to force the Arabs out of the West Bank. About 20,000 or 30,000 were forced out last year. Since when do Jews act like that?"

Shades of 1967

As many Israelis intuitively sense, the situation today is ominously similar to that just prior to the 1967 war.

In the 1965-67 period, Israel underwent a profound economic and moral crisis, reflected in a dramatic rise in emigration. The ruling Eshkol government implemented a series of deflationary measures that only served to disaffect the trade union base and demoralize the country. Leading Israeli Anglo-KGB asset Moshe Dayan saw the burgeoning crisis as a "window of opportunity" to make a power play and to launch Israel on a new imperial course. He received backing for this endeavor from the anglophilic Johnson administration in the United States and from the Soviet KGB crowd around Yuri Andropov, who ascended to the leadership of the KGB only weeks before the 1967 war was begun. The Andropov accession was a signal of a Soviet faction willing to dump Egyptian leader Gamal Abdel Nasser, and to work with the British to set into motion the round of provocations from the Arab side that gave Dayan the pretext for launching his preemptive

strike and lightning military victory.

It is significant that David Ben-Gurion, the first prime minister of Israel and the man most associated with Israel's 1948-67 "make-the-deserts-bloom" commitment, warned on the eve of the June 1967 war that that war would in the long term represent a mortal threat to Israel's existence.

Sharon, like Dayan before him, operated like the Roman proconsul he fancies himself to be, and made a series of byzantine global deals premised on a new round of wars and upheavals in the Middle East. Sharon's recent overtures to Moscow were not merely bluff, but reflect the fact that the Russian blood-and-soil clique around Yuri Andropov and his allied "Moscow-is-the-Third-Rome" faction in British intelligence have promised to give Israel a big cut in the New Yalta arrangement being worked out for the Middle East—all to the disadvantage of the United States. Sharon was willing, Israeli sources suggest, to bomb the nuclear facilities in Pakistan in return for Andropov's cutting Israel in on the global deal.

Sharon's headlong plunge into a New Yalta in the name of securing "strategic independence" for Israel is a dangerous game that is destined to result in disaster for the people of Israel and of the region as a whole. The independence that many Israelis seek is not to be found in Sharon's strategic gambles and military adventures, but in channeling Israel's resources and foreign aid into the only thing that can ensure Israel's continued existence: development of the economy and of the neighboring Arab economies.

This approach is not altruism. It is the only method capable of securing peace.

Since signing the Camp David treaty, Israel has reneged on its responsibility to work with Egypt to develop the Egyptian economy, much to the disappointment of Israeli scientists, technicians, and businessmen. Israel has a unique, and historic, contribution to make in the economic development of Egypt and the region. Such cooperation to bring economic growth and with it political stability to the region is Israel's best and ultimately only insurance policy.

Moreover, given the worldwide financial crisis and the fact that Israel's per capita debt is the highest in the world, the United States will not be able to carry Israel for much longer. Again, the solution lies not in realizing Sharon's Greater Israel illusions or in serving as a vehicle for bringing about the apocalypse but in realizing the dream that drew so many to Israel over the years: the dream of building a state, in community with the other states of the region, based on the highest moral standards as embodied in Judaism, and the lessons of the past.

An impossible dream? Only if Sharon's madness continues to dominate policy making in Israel. And only if the voices of reason, both inside and outside Israel, are stifled.

The commission of inquiry's findings and the dismissal of Sharon could be the turning point for Israel. Decisive political leadership inside Israel is necessary to ensure that they are.

EIR exposé dampens fundamentalist plot

On Jan. 18, 1983, EIR published an exposé by Middle East analyst Nancy Coker on how a group of U.S.-based Christian fundamentalists were working with a network of Israelis to lock Israel into Khomeini-style backwardness and aggression. The story had an explosive effect inside Israel, and was subsequently picked up and elaborated by the Israeli as well as American Jewish media. The Israeli papers Davar, Ma'ariv, Yediot Aharonot, and Kol Ha'ir carried coverage based on the EIR exposé. Israeli radio and television picked up the story. In the United States, the Yiddish weekly Algemeiner Journal and the Hebrew-language weekly Israel Shelanu published articles on the scandal.

The following is a translation from Hebrew of an op-ed that appeared in the Jan. 20 issue of the Israeli daily Yediot Aharonot in response to EIR's revelations. Entitled "Playing a Dangerous Game with Fire," the article is authored by Moshe Carmel, former minister of transportation in Israel during the late 1960s and early 1970s. A retired general, during the 1940s, Carmel was also a leading figure in the Hagannah, the leading Jewish independence organization.

Shocking news has come to us recently from across the ocean and has stirred our attention and worry, for if this information, which is surely true, becomes manifest, it can cause us grave internal problems and can complicate for us our global entanglements.

The American periodical *Executive Intelligence Review* states that a heterogeneous American organization has as its purpose the rebuilding of the Temple in the area of Har-Habait [the Temple Mount], where the Dome of the Rock mosque stands today.

The headquarters of this so-called organization, they say, is in Jerusalem, and in this general headquarters is located the Temple Mount Foundation, which in 1983 is expected to gather \$100 million for its purposes.

According to the periodical, the members of this organization are Jews and Christians from all over. Heading the organization in the United States is a wealthy businessman from California. And heading the organization in Israel is an ex-Lehi [Stern Gang] man, who, according to the periodical, placed the bomb in the King David Hotel in Jerusalem. A

whole wing of the hotel housing the British consulate was destroyed and scores of people were killed.

The heads of this organization are not ready to discuss in detail their plans at this time, says the periodical. But they do not deny that their purpose is to return Har-Habait to Israeli control. They also state that meanwhile they have established a general command post, which is currently working to determine the exact location of the Temple on the Mount in preparation for their future plans.

A representative of this organization in the United States also stated in reference to this matter that it is time to prove to the Arabs who is the real boss in Israel, who owns Har-Habait, and who has the right to it.

It is well known that in the past there were cases of clashes on Har-Habait connected with attempts to pray there, often directly or indirectly linked to famous religious or political figures in Israel. Those incidents did not bring much respect to Israel. And it is very clear that the broad public in Israel, religious and non-religious alike, will reject any new attempts by this crazy American-Israeli organization. It is also to be assumed that the Israeli government understands extremely well all the implications of an action of this type.

Nevertheless, it is time to warn everybody whom this concerns, which means the police, the government of the country, and civic leaders, that this news should not be taken lightly, since many grave consequences can result from an action like this.

This is simply playing a dangerous game with fire. And if we do not stop it on time, it is impossible to know what harm this can bring to Israel, even though this harm is only being done by a small group of crazy fanatics.

We must not forget the holy feelings toward all holy places, especially those located in Jerusalem, felt by people of one religion or another, that can be enflamed by something like this.

Har-Habait and the Dome of the Rock are holy to millions of Muslims in the world. Any type of provocation is able to inflame hostile feelings in the hearts of Muslims, Arabs or non-Arabs, in the streets of the world. Such a provocation, even by individuals, can result in demonstrations of religious fanaticism and can feed negative world opinion against Israel. If the government of Israel does not act now to preempt these crazy actions, it is doubtful that we will be able to do anything to repair the damage.

The image of Israel is already not very good in the world today. Any religious provocations, especially in Har-Habait, if not stopped in time, can hurt even more, and in the worst way, the name of Israel for many generations to come.

In closing, such craziness is not going to strengthen our peace initiatives with our neighbors to the north and to the south.

It is obligatory for all governmental branches, and especially the police and the judicial adviser to the government, to be aware of and to be vigilant against such wild actions, in order to prevent them before it is too late.

'Greater Israel' policy brings the Israeli economy to breaking point

by Richard Katz

If present trends continue, Israel will be spoken of in years to come with the words of tragedy: "what might have been."

If one did not know Israel's past successes, and only looked at its predicament now, one might mistake it for a "basket case" country. Its inflation rate is close to 140 percent. (It was only 35 percent before Menachen Begin brought in Milton Friedman to apply his anti-inflation nostrums.) Forty percent of the 1983-84 government budget must be used to pay debt service, domestic and foreign. Twenty-seven percent of its 1982 export income had to be used to pay foreign debt. Yet exports fell 5 percent, making debt repayment even more difficult.

The military budget consumes almost 27 percent of GNP. Its stealing of resources from capital investment has pushed the latter to 16 percent below its 1975 peak, resulting in near-zero growth in productivity.

Construction alone fell 8 percent in 1982; real wages fell 2.5 percent; and, for the first time ever, Israel suffered zero growth in inflation-adjusted GNP, along with zero growth in industrial production.

Above all, Israel is losing its most important resource: Israel's brightest, best educated young people, often willing to die for Israel, are no longer willing to live there. Since 1981, emigration has overtaken immigration.

The country survives only on the basis of enormous aid from the U.S. government and, to a lesser extent, world Jewry.

The era of nation-building

This was not always so. Blessed with a talented population and constant economic support from the outside, Israel had once been a showcase of economic development. It absorbed huge numbers of immigrants and "made the deserts bloom."

Unlike other developing countries, from the beginning Israel enjoyed the advantage of immense income from other nations, a combination of American financial aid, German reparations, and support from world Jewry. For more than 30 years, Israel was allowed to run a trade (goods and services) deficit equal to 25-35 percent of its GNP; in other words, to enjoy a *net import* of economic resources adding 25-35 percent to what it produced itself. Israel's creditors simply let it import what it needed and pile up more debt.

In 1982, Israel enjoyed net imports of almost \$5 billion—about \$1,250 for each man, woman and child, an amount

three to five times the entire per capital GNP of most developing nations. Providing a similar subsidy to Mexico, for example, would mean allowing it to enjoy a \$75 billion trade deficit year after year.

However, even that level of support would have gone for naught except for the existence of Israel's prime resource: its people. Unlike most other developing countries, Israel possessed a well-educated, cultured, modern population capable of absorbing modern technology. During the 1950s and early 1960s, a majority of Israel's growing number of college graduates studied engineering and science, and throughout the 1970s, forty to fifty percent of Israeli immigrants were professionals, technicians, scientists, or engineers.

Up through approximately 1975, Israel used its foreign support and human wealth to implement an extraordinary program of nation-building. Particularly under Israel's economic czar of the 1950s and 1960s, Pinchas Sapir, Israel applied 25-30 percent of its total economic resources (domestically produced GNP plus net imports) to capital investment, a higher rate of investment than in most developed countries. In this period, Israel created transport, housing for the immigrants, modern agriculture and industry, and a prestigious university and cultural system.

Perhaps nowhere was the advantage of Israel's modern population better shown than in agriculture. From 1949 to 1960, using high-technology inputs, Israel increased its farm output almost *seven times* while not increasing its number of farmers at all. Israel became a major exporter of agricultural technology.

The legendary image of Israel as a nation of kibbutzim exporting oranges and running handicraft shops is no longer true; in one generation it has turned itself into a nation of modern industry. All of this was accomplished with a nation now numbering only 4 million, the size of a big American city, spread out over a land no bigger than New Jersey.

Greater Israel: a strategy for economic suicide

Those blessings of the past are now being squandered. Year after year, in the pursuit of a chimerical "Greater Israel," the Begin regime is sinking 20-25 percent of the entire resources of the nation into military spending. The defense budget now far surpasses the entire gross capital investment of the country (see **Figure 1**), taking resources away from education, social infrastructure, industrial development, and so forth.

This problem certainly did not begin with Begin. In the 1950s and early 1960s, Israel's defense spending had been proportionately very small, but this radically changed after the 1967 and 1973 wars. Nor did Israel originally choose to be surrounded by hostile neighbors—as underscored by a recent release of British state documents exposing London's "divide-and-conquer" role in 1949 in preventing otherwise willing Arab nations from recognizing Israel. However, recent Israeli governments, particularly Begin's, have been more willing to bear the economic and other burdens of war than to seek a peace denying them "Greater Israel."

Begin now proposes to compound the problem, not only by expanding domestic military spending, but by turning Israel, already the world's seventh largest arms exporter, into an even bigger one. A report of the Ministry of Industry and Trade issued following the Lebanon invasion, entitled "In-

dustrial Strategy—Post Operation Peace for Galilee," proposes to increase Israel's arms exports to 35 percent of total exports. They warn that a higher figure could be achieved, but this would not be prudent since the market is made volatile by the vicissitudes of world politics.

This is a prescription for suicide. Israel no longer enjoys the level of foreign subsidies that in the past allowed it to sustain much higher defense spending than other nations.

Israel had never internally generated the surplus to support the enormous capital investment needed to house its immigrants, modernize agriculture, increase its productivity, and arm its military. For most of Israel's history, as can be seen in **Figure 1a**, most of its entire gross capital investment (all private and business investment in equipment, construction and housing) was "financed" in real economic terms through the mechanism of *net imports*, i.e., importing much

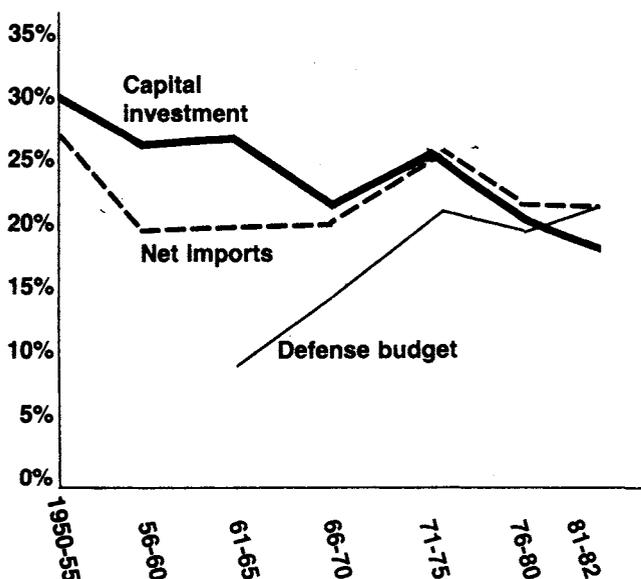
Israel defense spending overtakes capital investment

Figure 1
Division of total resources [GNP plus net imports]
(in billions of 1975 shekels, annual average for period cited)

Year	1950-55	56-60	61-65	66-70	71-75	76-80	1975	1982
Gross capital investment**	.5	.6	1.1	1.2	2.3	2.1	2.4	2.0
Defense budget	na	na	.3*	.8*	1.8	2.0	2.5	2.3
Net imports**	.4	.5	.8	1.2	2.4	2.2	3.0	2.5*
Total resources**	1.6	2.5	3.9	5.6	9.2	10.2	10.5	11.4*

Source: *Statistical abstract*, Israel Central Bureau of Statistics.

Figure 1a
Gross capital investment, defense budget, and net imports as percentages of total resources



Note: The astounding 16 percent absolute decline in capital investment from 1975 to 1982 shows the close correspondence between Israel's economic health and the level of resources sent in by other countries. The 1975-82 drop was caused by the abrupt 16 percent fall in net imports during that period. As seen in the comparison of the 1971-75 average to the 1976-80 average, this is a long run problem, not just a product of recession.

*EIR estimates based on incomplete figures for total period.

****Definitions:** *Gross capital investment* includes all government and private investment, including all business investment, residential construction, etc.

Net imports is the net inflow of resources to Israel as measured by the balance of payments current account deficit (goods & services).

Total resources is the sum of the Gross National Product plus Net Imports.

Defense figures were classified in 1950's and early 1960's.

more than it exported, several times more during the 1950s. This subsidy not only let Israel run huge levels of capital investment, but to devote ever-larger proportions of its resources to defense spending, up to 20 percent by 1971-75.

As long as the subsidy from the outside kept growing in tandem with capital and defense needs, it seemed as if the growing defense burden could be sustained. All this changed after 1975. Due to the 1973 oil crisis, and the consequent 1973-75 world recession, Israel's real (constant 1975 shekels) net imports fell drastically, even though its balance of payments deficit in *current* value zoomed. By 1982, real net imports had fallen 16 percent below the 1975 peak. In proportion to total resources, net imports were only 17 percent in 1982 versus 25 percent in 1975.

Even though net imports fell, defense spending did not. As seen in **Figure 1a**, the war economy kept taking larger and larger slices of Israel's total economic resources.

With the military taking more resources, Israel could not afford to continue its capital investment. As seen in **Figure 1**, capital investment fell not only in proportion to total resources, but absolutely. By 1982, Israel's capital investment was 16 percent below the 1975 peak. Productivity, which had averaged 5-7 percent from 1963-75, suddenly dropped to negligible, sometimes negative, rates. GNP growth, which had averaged more than 10 percent for years, slowly ground to a halt, hitting zero in 1982, destined for negative growth in 1983. With capital investment cut to the bone, Israelis in both the ruling Likud and opposition Labour parties say the population's living standard will have to be the next sacrifice to defense's insatiable maw. Even some military planners worry that capital cuts now mean there won't be a sufficient industrial base for the military five years from now.

Israelis point say capital investment has not dropped as much as the figures say: investment persists, but it is in the occupied West Bank, and thus not included in the official figures. Roads and electrical grids are being built, but only in the West Bank. Young couples cannot find affordable housing in Tel Aviv or Haifa—and thousands of over-priced apartments go empty—but new subsidized, cheap settlements spring up to lure the young to the occupied territories.

"The cost of the 'Greater Israel' policy has been very high," says Israeli economist Gur Ofer, presently working at Harvard, "and not only in terms of the defense budget. There is tremendous infrastructure development in the West Bank, and in southern Lebanon, at a time when Israel's own infrastructure, roads, telephone lines, and so forth are deteriorating."

Moreover, 6-8 percent of Israeli jobs, particularly in construction and services, are now filled by Arab commuters from the occupied areas at lower wages than Israelis' (though higher than on the West Bank itself.)

Through such developments, the Begin regime has "created facts" against the Israeli opponents to annexation; it has built in an Israeli dependence on continued economic ties of a colonial type toward the West Bank. This has created a

fight within the Labour-affiliated Histadrut trade union federation between those who say its companies should not take construction jobs in the occupied areas, and those who say it must to avoid bankruptcy given the lack of internal Israeli construction. In the end, the Histadrut's Soleh Boneh construction firm decided to go into the West Bank.

The foreign debt crisis

The shrinking supply of economic resources, and their increasing absorption by military spending and West Bank occupation, are now manifested in a debt crisis just as bad as those of the developing countries. In 1982, 12 percent of Israel's GNP and 27 percent of its export income had to be used just to pay the interest on its foreign debt. The 1983-84 budget drawn up by Finance Minister Yoram Aridor calls for 40 percent of the budget to go just for foreign and domestic debt service, compared to 20 percent in 1982-83! Even defense may be cut in real terms to pay for the debt.

As can be seen in **Figure 2**, as long as Israel devoted the net imports to capital investment, and as long as the world absorbed Israeli exports at 20-25 percent annual rates of growth, its foreign debt had been manageable. Then came Paul Volcker and Ayatollah Khomeini, a man Begin had helped bring to power. The depression set off by these two men ended Israel's export growth and put it into an unmanageable debt crisis.

In 1983, for the first time, Israel's foreign debt service will exceed its total military and economic aid receipts from the United States, forcing it to borrow heavily on the private market to cover its trade deficit. However, its ability to repay will worsen. Exports fell 8 percent for all of 1982, but the decline accelerated to 15 percent in the fall, indicating that 1983 is likely to show the second drop in a row. Unfortunately for Israel, the majority of its exports still consists of items such as fruits, diamonds, and textiles, for which world demand is sharply dropping.

As long as the U.S. Congress continues to shell out ever-increasing amounts of new money, roll over past Israeli debts, and so forth, the debt crisis can, of course, be managed. But this process only increases Israel's reliance on the good graces of another country, hardly a prescription for political independence. Israelis report a growing resentment inside the country regarding this dependence, but they say they are not sure how to deal with it.

The "Swiss model" option

The Begin regime proposes to handle this crisis by creating a "Swiss-model" economy: an economy based on international banking, arms exports, and "technetronic"-oriented industrial exports.

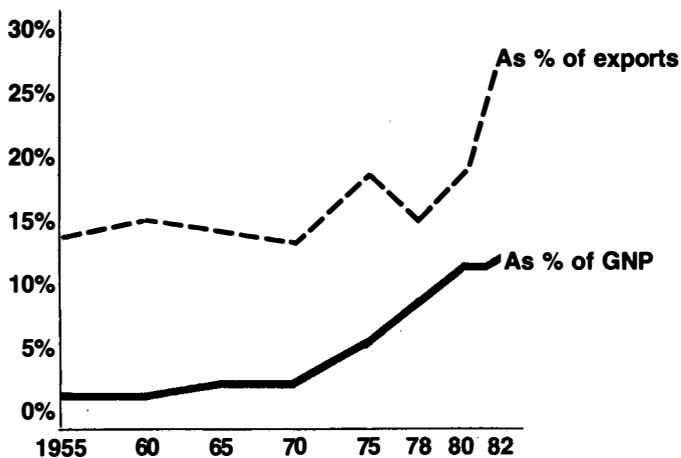
Israel's banking has mushroomed in the past years to take up, along with other business and financial services, an astounding 8 percent of Israel's labor force. Israel Discount Bank's New York subsidiary is now the 64th largest bank in the United States, and the foreign assets of the Israeli banks

Figure 2
Israel's debt and debt service
(in billions of current U.S. dollars)

Year	55	60	65	70	75	80	81	82
Total foreign debt*	\$.5	.9	1.7	3.5	10.3	21.8	24.2	26.4***
GNP**	\$1.2	2.4	3.4	5.3	11.4	17.7	20.7	22.7
Exports	\$.1	.3	.7	1.4	3.8	10.1	10.8	10.2
Foreign debt service*	\$.02	.05	.1	.2	.7	1.9	2.2	2.8

Source: *Statistical Abstract*, Israel Central Bureau of Statistics

Figure 2a
Foreign debt service as percent of exports, GNP



*Total foreign debt as measured by the Central Bureau of Statistics is somewhat higher than as measured by the Bank of Israel since the former includes the liabilities of Israeli banks abroad, without discounting for their assets.

Debt service is taken from the balance of payments table. It is the figure in the current account services column labeled "income from investment: payments."

Although this category includes some items besides interest on outstanding foreign debt [e.g., foreigners' repatriated profits on stocks], in the Israeli case, foreign debt payments predominate. This method may somewhat overstate the total percent of debt service to exports and/or GNP, but the trend line is not distorted. On the other hand, Israel's total payments are understated because this figure includes only payment of interest, not principal.

**The GNP figure was arrived at by taking the current value of GNP in Israeli shekels and then dividing by the average dollar/shekel exchange rate for that year.

***EIR estimate based on partial figures for period

are growing much faster than their domestic ones, and may overtake the latter in a few years.

Israel hopes to take advantage of the post-industrial switch elsewhere by providing inputs to the wired society. The Trade and Industry Ministry's post-Lebanon invasion strategy document proposes to:

- increase the share of "research and development-intensive," exports, primarily electronics and computer-oriented, to 80 percent of total industrial exports by 1990, from 30 percent today;
- raise the proportion of industrial exports to 60 percent from the current 40 percent of total [i.e. goods and services] exports. Industrial exports already comprise almost 70 percent of goods exports.
- and, raise the level of arms exports to 35 percent of total exports.

To a certain extent this path is already well under way. As noted above, Israel is now the seventh largest arms exporter in the world. During the 1970s, its electrical and electronic exports increased from a negligible \$13 million to \$278 million. Exports comprise half of Israel's electronics industry sales, and about 70 percent of the exports are military equipment. Other Israeli electronics firms have done well by tying

into U.S. computer firms and medical technologies, e.g. CAT scanners.

Already, Israel has a very impressive level of R&D; about 1.5 percent of industrial output is spent in R&D, which the Ministry of Industry and Trade document proposes to raise to 2.5 percent, a level commensurate with countries like the United States and Japan.

Manpower development crisis

There are only two problems with this strategy. First of all, "computer revolution" hype aside, the demand for electronic goods has not been immune to the world depression. Israel's electronics-related export growth rate slowed markedly to only 8-10 percent in 1982, and actually showed a drop at a 20-25 percent annual rate during November-December.

More important, Israel lacks the capacity to create this planned "technetronic" transformation. The most serious obstacle is a manpower crisis, another victim of Begin's military budgets.

Major General Amos Horev, for the past nine years the President of Israel's prestigious Technion University, told the *Israel Economist* last October that fulfilling the Ministry of Industry and Trade's strategy requires a doubling of the

number of Israeli engineers in industry from 9,500 today to 19,000 in 1991, not counting engineers in the military, service sector, educational system, etc. Under present trends, Israel cannot produce them. There has been zero growth in science and engineering graduates since 1976-77 (see **Figure 3**).

In the 1950s and 1960s, the majority of Israeli college students took science and engineering courses, but now only 25 percent do. One reason is that Begin's budget cuts have caused a deterioration in university laboratory infrastructure. In another interview, Horev pointed to a second reason: Israeli high schools no longer require physics and chemistry

for graduation. Israeli economist Yoram Weiss, now working at Stanford University, told *EIR*, "A few years ago, we loosened the requirements for education in order to give the students more freedom, just as you have done in the United States. So the students decided to take business courses or computer courses rather than physics and chemistry. This is related to the shift in Israel to services." Thus the technetronic orientation itself has undermined the basis for its own continuation.

There is also the well-known problem of emigration. Sick of the living conditions in Israel, many of its brightest young people are leaving, including many engineers and scientists.

From Milton Friedman to Shmuel Flatto-Sharon

"Patinkin's Boys," they are called, the economists who dominate Israel's professoriat and bureaucracy. Don Patinkin, Hebrew University Economics faculty chief and later Hebrew University president, was trained at the Friedmanite University of Chicago. He in turn trained most of the other economists now operating in Israel's universities and bureaucracy. Other graduates of Chicago and the Chicago-allied Iowa State University include Finance Ministry director Ezra Sadan and Bank of Israel vice president Yakir Pressner.

"Patinkin is not Milton Friedman," Israelis are quick to say. "He is not for total free enterprise." Yet Friedman's hand is quite evident. He was brought to Israel in 1977 by Menachem Begin, in an attempt to handle Israel's 35 percent inflation. Friedman recommended a drastic dose of "free enterprise" including the rapid elimination of Israel's foreign exchange controls, and the turning of state-run businesses over to private ownership. The "Patinkin boys" argued that a more gradual shift was needed.

Begin followed Friedman's advice: inflation soon leaped to 130 percent, and the Israeli shekel dropped from its 1977 value of 96 cents to less than 3 cents as of this writing, with a continuing devaluation of more than 5 percent per month.

Friedmanism is not a problem only of Begin's Likud Party. Patinkin himself exercised his influence in the Labour Party. When Begin came to power, a different group of Chicago trainees came to the fore, led by Ezra Sadan.

Israel's best period of economic development was in the 1950s and early 1960s. Economic czar Pinchas Sapir, who filled various cabinet posts, used a system of state-run enterprises and governmental and semi-governmental

industrial development banks to channel credit to critical development sectors, often at extra-low or even "negative" interest rates, i.e., rates less than inflation. This is the same system so successfully used by such countries as Korea and Japan.

At the same time, the Labour-allied Histadrut trade union federation ran a large number of companies through its Hevrat Ovdim holding company. One of the largest Histadrut companies, Koor Industries, at 30,000 workers, is Israel's largest employer, producing 10 percent of Israel's industrial output and 12 percent of its exports.

Even while the Labour Party was still in power, but particularly after Begin's accession, Sapir's usage of the government-associated development banks was attacked as a boondoggle partial to consumer and luxury goods. Yet, Israel's capital formation was much higher in those days than now.

In the mid-1960s, as Israel entered into balance of payments crisis, many of its Chicago-style economists argued that Israel must cut imports—by cutting economic growth! Labour Prime Minister Levi Eshkol followed this advice.

When Begin came to power, he steadily reduced the power of the directed credit institutions, giving much more control of credit allocation to the three giant banks: Bank Leumi, Israel Discount Bank, and Bank Hapoalim. Indeed, according to the *Jerusalem Post*, the 24 percent stock-market crash just engineered by Finance Minister Yoram Aridor is aimed at raising the banks' control of stock market investment from a 50 percent share to 75 percent.

Perhaps the most dangerous application of Chicago economics is the possible turning of state enterprises over to Dope, Inc., epitomized by the attempt, now aborted, to sell off El Al Airline to "private ownership." Israeli sources say a prime contender to purchase it was Marcus Katz, a crony of convicted drug-runner Shmuel Flatto-Sharon. Flatto-Sharon is a member of parliament in Begin's Likud bloc.

In 1981, emigration topped immigration for the first time, as 26,000 people left Israel and only 15,000 immigrated, compared to 55,000 immigrants in 1973. Indeed, from 1977 through at least 1980 (the latest figures available) the total number of Israeli Jews between the ages of 15 and 30 stayed absolutely the same at 830,000, and in 1980 the Israeli civilian labor force actually *declined* 1.6 percent.

The newcomers are highly skilled. More than 40 percent of them are professionals, academics, scientists, engineers, or technicians. But Horev complains, "though there are many engineers among the Russian immigrants, they are not in the fields of computers and electronics where most of the action is. As for the West, we have not yet been successful in winning back those Israelis who have left."

Ashkenazim versus Sephardim

The crisis of skilled manpower is exacerbated by a great social shift in Israel. Israel is changing from a nation of Ashkenazim (European-American descended Jews) into one of Sephardim, that is Jews from the Arab culture lands of

Iraq, North Yemen, Egypt, North Africa, etc. Only 25 percent of the Israeli population in 1948, Sephardim today comprise 65 percent.

The Sephardim for the most part are culturally more Arabic than Jewish, at least as the Jew is known in Europe or America. The social contrast between the two groups has produced an ethnic tension akin to the racial conflict in the United States, with similar degradation of the Sephardim. Of all Israeli elementary school children, 75 percent are Sephardim, 35 percent of all high school students, 12 percent of college students, and only 4 percent of post-graduate students. "Prisons have the highest percentage of Sephardim; universities the lowest," said one study of the problem. Recently, a Sephardic supporter of Begin shouted at mostly Ashkenazi anti-Begin demonstrators: "They're do-gooders; they're educated." Not only the Sephardic immigrants themselves, but their children and grandchildren suffer the disadvantages.

This ethnic conflict and lack of cultural development of the Sephardim means that Israel will have difficulty developing the manpower it needs to carry out either a technetronic orientation, or a more healthy scientific-engineering one.

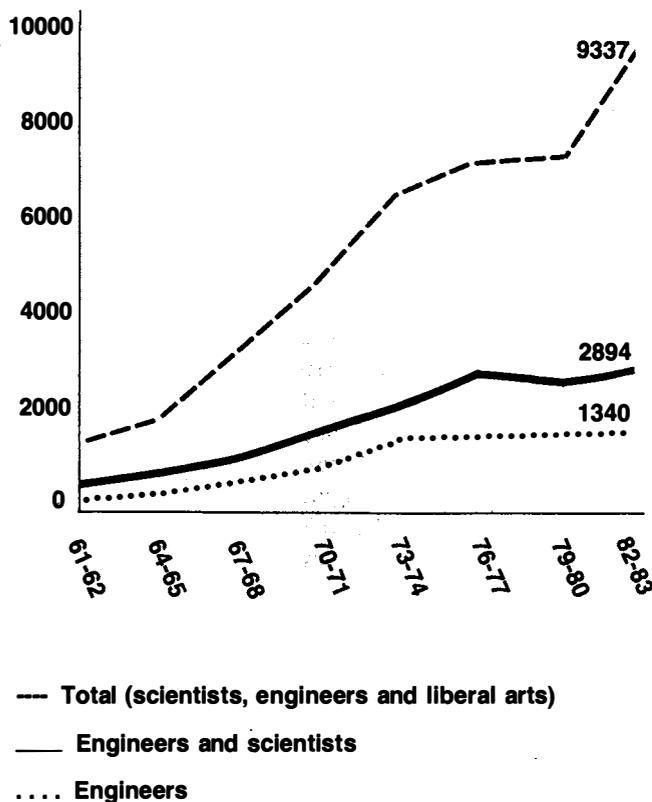
There is no choice for Israel but peace. Israel should be a radiating point of science and engineering to its neighbors. Years ago, Israel became a major exporter of agricultural technology, a role which should be expanded to its own neighbors.

General Horev now heads a committee proposing that Israel develop nuclear energy. Technion Professor Arnon Dar, a member of the committee, says that Israel could also become a big exporter of nuclear technology by subcontracting on other countries' projects. Though Dar did not add this, Israel's own neighbors should be among the purchasers.

At one point Israel was working on a project for large-scale desalination of sea water using nuclear energy. The project was scrapped, supposedly for cost reasons; but this is exactly the unique kind of role for which the Arabs need Israel's talented people, whether the Arabs know it or not. One Israeli official described to *EIR* that during the initial flush of enthusiasm following the Camp David agreements, Israeli technicians and businessmen prepared projects to enable the Egyptians to modernize their textile factories with synthetics, modern processes, and so forth just as Israel had done in the 1960s. Now this project is dead, along with many others due to the collapse of Israeli-Egyptian détente, a collapse provided in large part, though not solely, by the intransigence of the "Greater Israel"-seeking Begin regime. As an Egyptian developer told *EIR* (see *EIR*, Jan. 25), "We want peace with Israel, we need peace to develop our country. The only war we want to fight is against the desert." Excitement around these kind of challenges should get Israeli youngsters back into physics, chemistry, and engineering.

This is Israel's mission. It does not have much time to decide to fulfill it. The other path now being followed leads to national suicide—a slow Masada.

Figure 3
Zero growth in science and engineering graduates. First degree graduates in academic institutions per year



Source: Technion, Manpower Development Survey

Can Brandt Commission subvert the Non-Aligned?

by Daniel Snieder

The British Foreign Office, Henry Kissinger, and the U.S. State Department are conspiring to pull the same kind of "demolition job" on the governments of the Non-Aligned nations movement that they executed after the 1976 Non-Aligned summit meeting at Colombo, Sri Lanka, which called for a New World Economic Order. This time, however, Kissinger and the British want to knock off the key heads of governments in the Third World, and turn their countries into an instrument to force the United States and Europe under International Monetary Fund dictatorship—before this year's Non-Aligned summit begins in New Delhi, March 7.

The British and Kissinger have two tactics:

1) Overthrow governments—conference host India and the key Ibero-American nations of Colombia, Venezuela, Argentina, Peru, and Ecuador are all being menaced by internal disruptions up to and including threats of coup d'état. With an outstanding \$300 billion foreign debt, the nations of Ibero-America could form a debtors' cartel that would force the negotiation of a New World Economic Order. This the British and Kissinger are determined to block.

2) Subvert the Non-Aligned conference itself, by blackmailing and bribing the participating countries into "demanding" from the United States and others the "new Bretton Woods" dictatorship over world finance already being prepared by the British and Swiss bankers through the IMF. Already, the draft document for the conference has been sabotaged by operatives for the British Foreign Office from the notorious Brandt Commission.

A concerted effort is being made to make sure that the Ibero-American leaders do not attend the Delhi summit. It is now rumored that President Bignone of Argentina will not attend; President Belaunde Terry of Peru will not attend;

attendance by Venezuela's Herrera Campins is in some doubt; President Osvaldo Hurtado of Ecuador may not be able to leave the country for fear of a coup d'état; and most important, Ibero-American leader Colombian President Belisario Betancur also may not be able to attend because of threats of a military coup against his government (see article, page 34).

The Indian government of Prime Minister Indira Gandhi has been under similar political destabilization pressures, including separatist riots and agitation in key border states and the pressure of election defeats in recent state elections. Her attention has been totally focused on the internal political crisis.

The bankers' strategy

The general strategy of the financiers, carried out over the past months in response to the emergent debt crisis, has been to stop the political threat to the existence of the international monetary and financial system first seriously manifested last August when Mexico threatened to declare a moratorium on its debts. What the IMF and the bankers feared most, as Henry Kissinger made clear in his recent *Newsweek* article, was that the developing countries, particularly the large debtors of Ibero-America like Mexico, Brazil, Argentina, and Venezuela, would use the "debt bomb" to force collective renegotiation of debt and negotiations for the creation of a new monetary system.

The entire system teetered on the edge over the past months, while the IMF and the banks attempted to force Brazil, Mexico, Argentina, and other debtors into "case-by-case" negotiations for huge debt bailout packages tied to vicious austerity programs enforced by the IMF. So far the bankers have succeeded in politically isolating the big Ibero-

American debtors from allies among the other developing countries, particularly those grouped in the Non-Aligned movement. However, the bailout packages for all these countries still remain unfinished—so the threat of a political breakout by the developing sector remains the “sword of Damocles” hanging over the IMF system.

The impact so far, however, of the IMF’s short-term success at political containment has been to provide an argument to convince many other developing countries that there is no weapon available they can use to force the radical changes they really want in the economic order. Many developing-sector diplomats in the Group of 77 (the group of Third World countries at the U.N.) report that though they favor a debtors’ cartel, they feel unable to act because “the Mexicans and the Brazilians have told us they want to go it alone.”

It is precisely such circumstances that are being used by the Brandt Commission, the Commonwealth Secretariat, and other “friends of the Third World,” to convince developing countries, mainly in Africa and Asia, that they should abandon demands for a new world economic order and try instead for more “practical” efforts at short-term “reforms” of the existing international economic institutions. Held out is the idea of a “new Bretton Woods conference” which would “reform” the IMF into a more “equitable” institution, that is, one in which the developing countries would have the illusion of having more of a say.

The financiers hope to orchestrate the current economic collapse over the next few months, including orchestrating the “demands” of the developing countries, into producing a strengthened IMF system, one closer to Lord Keynes original idea of a “world central bank.” At the same time, in the United States and other advanced countries, they want to force those governments into line behind the same financial dictatorship, including a bailout of the major private international banks through the IMF and an increase in IMF funds.

The Brandt role behind the Indian draft

The initial Indian government draft of the final economic declaration for the March Non-Aligned summit, a copy of which was obtained by this publication, reveals how this financiers’ operation, through their agents in the developing sector, has made its influence felt in the past months. The draft, recently distributed for discussion by the Non-Aligned member governments, contains major sections which endorse the anti-debt cartel policies of the IMF, policies aimed at making the IMF a “world central bank.”

Well-informed sources in New Delhi report that the draft was authored under the influence of two key agents of the Brandt Commission, the IMF, and the major international private banks—L. K. Jha, a former head of the Indian central bank, a member of the Brandt Commission, and an adviser to the Indian government; and K. B. Lal, a former top civil servant close to government circles, and the head of an economics institute tied to IMF-banker circles in New York.

Those sources report that Prime Minister Indira Gandhi had not read the draft before its distribution by the Indian foreign ministry, and that the policies recommended do not correspond to her known views.

The key sections of the draft are on monetary and financial policy and the debt crisis of the developing countries, which are expected to be the major economic issues at the Non-Aligned summit. The draft totally ignores previous Non-Aligned declarations in favor of the creation of a new international monetary system, the implementation of debt moratoria, and the declaration of the most recent Non-Aligned coordinating bureau meeting held in Nicaragua last month, which endorsed the collective renegotiation of developing-sector debt. Instead, it endorses long-standing policies of the IMF and its mouthpieces like the Brandt Commission. The draft calls for:

- The creation of an International Debt Commission as the response to the debt crisis, a vaguely defined institution which would only “examine issues . . . with a view to the adoption of appropriate alleviation measures.”

- The expansion of the powers and lending capacity of both the World Bank and the IMF, including the doubling of the IMF quotas, the expansion of the IMF’s phony reserve currency, the SDR, and the urging of borrowers from the IMF to go to it “at earlier stages of need.” These are precisely the measures which the IMF will push for at the Interim Committee meeting of its board to take place the week of Feb. 7. According to an IMF official, “the lack of preventative programs was prominently discussed at Toronto [the last IMF general meeting]. . . . We are looking to eliminate occurrences such as Mexico and Brazil.”

- The “equitable treatment of developed and developing countries with regard to conditionality” by the IMF. This supports demands by the IMF, the U.S. Federal Reserve, and the banks for a bailout of the banks through the IMF and the imposition of IMF control over the U.S. economy as well as that of the Third World. As one Wall Street banker put it: “What about the U.S. budget deficit? When is the IMF going to make a preventative surveillance program for the United States?”

- The formation of, not a new monetary system, but “a new Bretton Woods-type conference to examine the functioning of the system with a view to effecting comprehensive reforms.”

Indian sources close to the prime ministers’ office were shocked at the contents of the document, describing it as a “document of surrender, not of negotiation.” Those sources predict that there will be a massive battle at the summit over the draft, a view confirmed by interviews with various representatives of Non-Aligned nations at the U.N. One South Asian diplomat described the general response as “very unhappy.” One fear of those diplomatic sources is that the fight in Delhi could break down into a classic “radicals-versus-moderates” battle, which threatens to split the Non-Aligned movement as it has in the past.

The draft conforms in detail to the latest recommendations of the Brandt Commission, released Feb. 9 at a press conference in Bonn. The report, called "Common Crisis," is aimed at preventing the developing countries from dropping the "debt bomb" in the form of organizing a debtors' cartel. The Brandt Commission offers instead a "reform" of the IMF to make it more "equitable" to the Third World.

The Brandt Commission script

Their recommendations call for increased issuance of SDRs; increased borrowing by the IMF; a doubling of IMF quotas; increasing World Bank funds; moratoria on only the official debts of poorer developing countries, a tiny portion of total debt; the "lifting of burdens from the commercial banks"; and preparation for a "world economic conference" to reform the IMF, the same "new Bretton Woods" idea to make the IMF a world central bank.

In a recent interview, Jan Pronk, a top official of UNCTAD and a Brandt Commission member, said: "We need a new Bretton Woods. The Commission has not discussed a debtors' cartel. We should have a lender of last resort with respect to the banks if this means that it gains a degree of control over the banks. . . . We need a huge, 30 to 50 billion SDR allocation every year for some years. . . . Of course, given the debt situation, we would be allocating the SDRs to the banks. . . ."

Shridath Ramphal, former Guyanese foreign minister, member of the Brandt Commission, and the Secretary General of the British Commonwealth secretariat, told the press conference that he fully endorsed the views that Henry Kissinger expressed in a recent *Newsweek* magazine article on "Saving the World Economy." In that article, Kissinger declared that the key task was to prevent the developing countries from "using the weapon of debt." As Ramphal's chief economist on the Commonwealth Secretariat, Dr. Persaud, put it in an interview when asked about the idea of a debtors' cartel: "A debtors' cartel? There will be no debtors' cartel! They [the developing countries] might talk about it—that's all they are able to do—but they won't do anything!"

The Commonwealth Secretariat is a key institution, along with the Brandt Commission, for subversion of developing countries, many of whom, as former British colonies, are members of the Commonwealth. The Secretariat has issued a number of proposals, parallel in content to those of the Brandt Commission, advising developing countries on their "negotiating tactics." One recently formed panel of Commonwealth "experts" has released a document on the "international trade and payments system." The panel includes Sir Jeremy Morse, head of Lloyds Bank and former head of the Bank of England, several African figures, and Mr. Patel of the Indian Institute of Management in Ahmedabad.

The Indian connection

The Indian connection for pushing the Brandt-IMF line into the Indian Non-Aligned draft was made through Jha of

the Brandt Commission and K. B. Lal. Jha attended the Ottawa meeting of the Commission last December where their recent proposals were agreed on—he went back to India where he was deeply involved, according to New Delhi sources, in the actual drafting of the document.

Lal, who was also involved in the drafting, cosponsored an important conference on "Rethinking Global Negotiations" held in New Delhi in early January, a Ford Foundation-funded conference which brought in Brandt-IMF linked "experts" from around the world, particularly people associated with the Anglo-American Council on Foreign Relations' infamous 1980s Project. Participants included: A. Bressand, director of France's Institute of International Relations; Jan Pronk; Herbert Breau, a Canadian M.P. in charge of the parliamentary committee on North-South relations; C. Michalopoulos, a senior adviser to the World Bank and former State Department official; and numerous academics.

These experts bombarded numerous Indian government officials who attended its sessions, including key foreign ministry bureaucrats involved in the drafting process, with the view that they should abandon any hope of "radical restructuring" of the international economic and monetary system and instead opt for "incremental," short-term "reforms" of the existing institutions like the IMF.

The conference was co-sponsored by Lal's Indian Council for Research in International Economic Relations, a think tank only recently set up with funding from the Ford Foundation; and by Columbia University's International Economics Research Center, an operation headed by an Indian economist Jagdish Bhagwati and reflecting the views of top banking circles and the CFR's 1980s Project. The advisory board of the center includes: Lal himself; Richard Cooper, a former top Carter administration official for international economic affairs; a vice-president of the World Bank; and several members of the Washington-based Institute for International Economics (IIE), a policy think tank for the Ditchley cartel of international bankers, which is aimed at shaping U.S. economic policy.

The CFR 1980s project connection

Bhagwati is closely associated with the CFR 1980s Project, whose former executive director, Catherine Gwin, presented a paper at the Delhi conference on "restructuring international economic organizations." Gwin, who co-authored a study on this subject for the 1980s Project, said in her paper that: "The role of the Fund [the IMF] needs to be significantly strengthened, especially if the Fund is to evolve, as it should, into something more closely resembling a world central bank." Gwin called for this to be done through strengthening the IMF "surveillance" of the economies of member countries and through "establishment of a debt-management mechanism that involves not only the Fund, but also the World Bank and the major private international banks."

In the CFR study by Gwin (co-authored with Miriam Camps, and entitled "Collective Management"), it is made

absolutely clear that the IMF should dictate terms, especially to the developing countries. As Gwin and Camps put it:

"Some people argue that the path to fairer and more productive bargaining lies through stronger organizations in North and South and better preparation on both sides of their bargaining positions. We doubt it The best safeguard against unfair bargaining is to have it take place within an agreed framework of rules, with international staffs holding the ring, supplying technical advice and information to those less fortunately placed."

The Third World will be given the illusion of more involvement only to destroy their political unity to act. "If changes are made so that the key institutions are made more responsive to the needs of the less-developed countries and if their role in the governance of the institutions is felt by them to be a fair one, the Group of 77 [the major Third World group—D.S.] should diminish in importance."

Following the Delhi conference, Bhagwati issued a statement co-authored with another participant, Yale economist Carlos Diaz Alejandro, who also did a 1980s project study on North-South relations and is on the advisory board of the IIE. Their statement, which calls for the developing countries to abandon comprehensive negotiations to restructure the economic order and for the convening of a new Bretton Woods conference to implement the IMF central bank "reform," is signed by a whole host of anti-development genocidalists, including: Gwin and another former executive director of the 1980s project, Richard Ullman; members of the Brandt Commission; Lester Thurow, the top economist for the Harrimanite wing of the Democratic party; Paul Streeten, a top British World Bank expert; Roger D. Hansen, former U.S. National Security Council staff member and a top official of the Brandt Commission's U.S. outlet, the Overseas Development Council; and numerous participants in the Delhi conference.

The statement is to be published in pamphlet form and distributed widely at the Non-Aligned summit. Bhagwati, a none-too-modest fellow, told a journalist that "evidently, the idea went from my paper to the document for the Non-Aligned conference."

L. K. Jha: profile of a neo-colonial agent

by Susan Brady

Had knowledgeable individuals not nodded in the direction of Mr. L. K. Jha, in connection with the treasonous draft economic statement for the Non-aligned summit issued under the name of the Indian government, it would in any case have been the logical place to look. Jha, Chairman of India's Economic Administration Reforms Commission and an un-

official adviser to the prime minister and the man Henry Kissinger refers to in print as "my good friend L. K. Jha," is a prominent and active member of the Brandt Commission, whose policy proposals are reflected virtually word for word in the Non-Aligned document.

In betrayal of India's national interests and the interests of the Non-aligned countries as a whole, the document is precisely the kind of travesty whose perpetration is the specialty of individuals like L. K. Jha. Their existence and uninhibited activity at top levels of governments throughout the developing sector is perhaps the single most serious obstacle in the battle for sovereignty and development.

L. K. Jha is an exemplar of the tribe of professional international technocrats, better known as the "World Bank mafia," the neo-colonial agents who are trained at Oxford, Cambridge, and Harvard in the economic doctrines of ground rent, usury, and Malthusianism propounded by the British East India Company, and then placed in central banks, and finance ministries of their countries to "keep the natives in line."

Every developing country has its L. K. Jhas. They are usually protected by a screen of impressive foreign credentials attesting to their technical skill and authority. They are well connected to the network of elite international institutions and organizations from the World Bank and IMF to the Club of Rome and Brandt Commission. Their first allegiance is to this international financier-elite that flatters them and pays them well to oppose and undermine the political leadership of their own nations, which they hold in undisguised contempt.

By no accident, in the recent months since he returned to India from the Brandt Commission meeting in Ottawa, Jha has combined his propagandizing for the "expanded IMF" with public attacks on ministers and other political leaders for interfering with the prerogatives of civil service bureaucrats and technocrats. Jha is a veteran of what Indians refer to as the "British steel frame," the Indian Civil Service (ICS) created by the British to administer the Raj. Jha was inducted into the elite ICS more than ten years before independence, after he had been appropriately educated at Trinity College under John Maynard Keynes, the "father" of the IMF-World Bank system that Jha is dedicated to preserving.

In the service of the Raj

Jha's service to the Raj took him gradually up the ladder of the finance ministry bureaucracy to the post of Secretary for Economic Affairs, from where, immediately upon the death of Jawaharlal Nehru in 1964, he advanced himself into the first circle of power as secretary to the new Prime Minister, Lal Bahadur Shastri.

From that post L. K. Jha coordinated a combined internal and external operation to overthrow the policy framework of planned, capital-intensive high-technology economic development established by Nehru for the transformation of the former colony into a modern nation state, and to replace it

with the World Bank's prescription for neo-colonial backwardness and continued foreign looting. The cynical Jha manipulated Prime Minister Shastri, distracted by the exigencies of a war with Pakistan, with technocratic pragmatism.

Paying lip service to the legacy of Nehru, L. K. Jha acted deliberately to overturn every principle by which Nehru as Prime Minister and Chief of the Planning Commission had led the nation, laying the basis for its future industrial strength in the first ambitious two five-year plans. Jha assumed leadership of a new Secretariat that had been created specifically to drive a wedge between the prime minister and the Planning Commission. The intended effect was to denote the Planning Commission from its position as an extension of the prime minister in the area of economic policy to the status of a subordinate group of advisors. Planning Commission members were stripped of their privilege of indefinite tenure.

L. K. Jha himself quickly became the most influential official adviser in the government, and through his close personal ties with other servants of the Raj, especially in the critical finance ministry, he was successful in putting the technocrats in control of economic policy.

Where Nehru had used his constitutional powers to centralize responsibility for economic matters in the Planning Commission of which he was chairman, Prime Minister Shastri, under Jha's tutelage, used his power to decentralize the policy-making process, encouraging independent inputs from various quarters. Jha's central position guaranteed that those who insisted that India's "resource position" required a virtual moratorium on new development projects gained direct access to the prime minister. In turn, their allies in the ministries who also advocated limitations on expansion of the "overly ambitious industrial plans" in the public sector and a

shift to "free market" methods, gained direct access to top-level decision making.

Jha's World Bank coup

As others have noted, in the short 20 months of Shastri's tenure, the entire approach to India's nation-building strategy established by Nehru had been overturned. The stage was set for the subsequent disastrous decisions that dealt India a near-fatal blow—the 1966 devaluation, and related measures dictated by the World Bank and the IMF in the notorious Bell Report.

It is essential to note in particular that L. K. Jha was instrumental in preventing effective government response to the problem of pricing and shortfalls of foodgrains that became acute in 1964, prompting huge foreign grain purchases which contributed directly to the subsequent foreign exchange crisis on which the World Bank ultimately hung its demands for devaluation.

When Indira Gandhi became India's prime minister in January 1966, following the sudden death of Shastri, the World Bank plot was well underway. As chief secretary to the prime minister, Jha went into immediate action. At the initiative of his crony the professional bureaucrat and then Ambassador to the U.S., B. K. Nehru, and with the connivance of the finance minister and arch-technocrat, Sachin Chaudhuri, Jha formed a committee to "advise" Mrs. Gandhi on the devaluation. Nor surprisingly the committee consisted of the three most strident advocates of devaluation—Socialist International creature and World Bank devotee Asoka Mehta, established World Bank-IMF mouthpiece C. Subramaniam, and Chaudhuri—with Jha as its "rapporteur."

It was this cabal that convinced Indira Gandhi to bow to the World Bank-IMF dictate for a 37 percent devaluation and adoption of World Bank policy prescriptions without consulting a soul among the senior leadership of the ruling Congress Party. Jha personally drafted the document of India's capitulation that his crony B. K. Nehru carried hurriedly back to Washington, locking Mrs. Gandhi into the fateful decision months before it took place.

In a matter of days the evil deed had been done. The direct results were displayed on India in the political and economic crisis of the early 1970s.

In 1967 it was announced that Mr. L. K. Jha would be prematurely retiring from the Indian Civil Service to assume the post of Governor of the Reserve Bank of India. Jha held this pivotal post for three years until 1970 when he became Ambassador to the United States. It is sufficient to cite then Secretary of State Henry Kissinger on his "good friend" Jha to get the flavor of the distinguished ambassador's Washington tenure, especially when one keeps in mind that it was during this period that the United States consolidated its anti-India tilt and began the strategic military buildup of Pakistan in the tradition of Britain's geopolitical "Great Game."

For eight years as Governor of Jammu and Kashmir start-

'The Nazis began it'

In a 1982 series of lectures in New Delhi on the North-South debate, R. K. Jha explained that his mentor's scheme for a world central bank—and which is now being proposed anew by the Brandt Commission—was actually originated by Adolf Hitler's Economics Minister, Walther Funk. Funk's radio broadcasts at the time were popular, and British officials asked Lord Keynes to counter them. But, reports Jha, Keynes found himself in total sympathy with Funk. "About three-quarters of the German broadcasts would be quite excellent if the name of Great Britain were substituted for Germany," Keynes wrote to British Minister of Information Nicholson.

Walther Funk was sentenced to life in prison at Nuremberg. The only conclusion to be drawn is that the Brandt Commission is not only pushing a Nazi policy, but is consciously doing so.

ing in 1973, Jha was free to reinvigorate his international connections and pursue professional elite preoccupations in a semi-official capacity at government expense. During this period, Jha helped to establish the Brandt Commission.

By 1980 Jha was ready for a new foray. His book, *Economic Strategy for the '80s*, coincided not a bit accidentally with the Indian government's decision to take an unprecedented huge IMF loan of \$5.6 billion to paper over serious balance of payments gaps and formulation of the Sixth Five Year Plan. Jha's strategy is a blueprint for freezing India's progress, already nearly crippled by the 1966 events, at the present subsistence level and in effect turning the clock back. Jha recommended that India cease efforts to expand its base of producer and investment goods in favor of expanding production of consumer products. He lied that India had more than enough capital goods, and held criminal silence on the crucial matter of India's terrible power shortage. These lies are in the service of Jha's fervent advocacy of the World Bank's colonial staple—labor-intensive employment schemes.

The strategy is a bald statement of treason against the nation of India, fully consistent with Jha's own prior record.

While Prime Minister Gandhi declined to take Jha into her government this time around, he was given an office in New Delhi, where he has access to government officials, and a commission against which to run an expense account.

It was apparently all he needed.

Gandhi strengthened as summit nears

by Paul Zykofsky in New Delhi

The results of the Feb. 5 elections here are being accurately viewed as a vote of confidence in the government of Indira Gandhi, following acute defeats for her Congress-I Party in elections in two northern states a month ago. In the keenly contested New Delhi race for municipal administrative positions, the Congress-I won 34 of the 56 seats on the Delhi Metropolitan Council and 56 of the 97 seats counted thus far in the Delhi Municipal Corporation—gaining control of these two bodies for the first time in 16 years.

Based on a 65 percent voter turnout, the Congress victory came as a result of ballots cast both by the very poor and the educated middle class, who saw the need to strengthen Mrs. Gandhi's hand in national and international affairs.

The campaign itself focused on "for or against Mrs. Gandhi." The leading daily *Times of India* commented in an editorial following the election: "The verdict in Delhi gives

Mrs. Gandhi, her party, and the country as a whole a breather and an opportunity to halt the drift toward a disastrous collapse of the system. Altogether the conclusion seems inescapable that Delhi's enlightened voters have evidently decided to give Mrs. Gandhi not another shock or push, but some respite and another chance."

The Congress-I's victory is a setback to recently revealed Anglo-American efforts to undermine the Gandhi government, especially on the eve of the summit of Non-Aligned nations to be held in this city early next month. Gandhi herself had warned recently that certain outside forces were determined to weaken India and make the government "more pliable."

Following the elections in the South, efforts were also being made to portray the defeat of the Congress-I by smaller regional parties as the beginning of the collapse of the Gandhi government. The victory of her party in this city of more than 5 million people, with a population from all parts of the country, will obviously help to strengthen the Gandhi government.

The Congress victory dealt an important setback to the Bharatiya Janata Party (BJP), the leading opposition party, whose leader, former Foreign Minister Atal Behari Vajpayee, has tried to portray himself as "the major alternative to Gandhi." In its previous incarnation as the Jana Sangh and Janata parties, the BJP—which is largely under the control of the Hindu chauvinist Rashtriya Swayamsewak Sangh (RSS)—had held majority control of the Delhi Metropolitan Council and Corporation since 1967. Following the party's Feb. 5 defeat, BJP leader Vajpayee submitted his resignation as party president.

The Delhi results also serve to weaken the forces led by fundamentalist members of the Sikh religion in the northwestern state of Punjab, which have been demanding greater autonomy for their state. Despite a call by the Sikh leaders in Punjab for a boycott of the election by the 500,000 Sikhs who live in Delhi, a large proportion of the community turned out to vote.

While the Delhi victory will provide the Gandhi government with greater strength to deal with the emergence of these regionalist forces, it remains to be seen if there will be any impact on the situation in the troubled northeastern state of Assam, where student-led agitation against "non-Assamese aliens"—primarily Muslims from neighbouring Bangladesh—has been going on for more than three years now.

Elections to the state assembly, which was dissolved over a year ago by the central government, are scheduled for Feb. 15. The agitational leaders have called for a boycott of the election, and a large police contingent has been deployed in the state in the wake of several bombings and attacks on candidates. According to Western press reports, agitators have shut down two of the state's three oil refineries, whose output is a critical part of India's domestic energy supply.

Despite the disturbances in the state, Prime Minister Gandhi will campaign there on Feb. 10 and 11.

Ibero-Americans kept away from summit?

by Christian Curtis

Ibero-American leaders have the clearest view of the need to form a “debtors’ cartel.” Therefore, the opponents of a New World Economic Order want to keep them away from next month’s summit meeting of the Non-Aligned movement. It was the delegations of Ibero-America that pushed the debt issue at the Non-Aligned Coordinating Bureau meeting in Managua, Nicaragua in January, calling for joint renegotiation of foreign debts with the industrial-sector banks. The final resolution also “shot down” the IMF by deleting any reference to augmented liquidity for that institution.

In case after case in Ibero-America, sudden internal instabilities, coup threats, and renewed tensions with neighboring states have made it almost impossible for heads of state in that part of the world to leave their countries. And in each of these situations, the hand of the European financial oligarchy and its agent, the U.S. State Department, is present. Typical was the recent statement by American ambassador to Colombia Charles Boyatt, that the Non-Aligned movement—which Colombia seeks to join—is a “bunch of communists.”

- Peruvian President Belaunde Terry has announced that he will not attend the New Delhi summit. His government has been rocked by a wave of brutal terrorist violence, patterned on the social destabilization and brainwashing techniques developed at the Tavistock Institute branch of British intelligence, combined with the same type of State Department collaboration that took place in Cambodia ten years ago between genocidalist Pol Pot and State Department “population control” expert Thomas Enders. The Sendero Luminoso terrorists are constantly compared to the Khmer Rouge in the media.

- Argentine President Reynaldo Bignone is also being pressured not to attend the summit. Although Bignone is scheduled to attend, he may be forced to remain in Buenos Aires because of an unstable internal situation, provoked by certain factions of the armed forces, and growing tensions with Chile over the Beagle Channel dispute. Some press sources in Buenos Aires are predicting that Bignone may develop a sudden “illness” that would prevent him from attending.

- Colombia’s President Betancur, who has announced that his country will apply to the Non-Aligned for full mem-

bership in New Delhi, may not be able to attend personally. Betancur has been besieged by threats from military factions controlled by local family branches of the European oligarchy (see Andean Report).

Well-informed diplomatic sources in Venezuela report that there is a serious threat against Betancur’s life. An indispensable component to any assassination operation against Betancur is the psychological “climate” being synthesized by rightwing networks, which are circulating the “line” that Betancur may be “worse than Fidel Castro” and that he is trying to commit Colombia to membership in a “Communist-dominated” organization—the Non-Aligned movement. This slander of the Colombian president is being circulated with direct collaboration from the State Department and the “New Right” apparatus in the United States, through circles linked to Tradition, Family and Property—a fascist pseudo-Catholic cult that has been linked to attempts to murder the Pope.

- In Ecuador, a full member of the Non-Aligned, President Osvaldo Hurtado may also be prevented from traveling to New Delhi because of threats to his constitutional regime from military coup plotters. His government has been trying to implement IMF guidelines that have only aggravated social tensions, which last fall erupted in riots.

- Venezuelan President Luis Herrera Campins had hoped to become an official member of the Non-Aligned nations in New Delhi, but the British colonial regime in Guyana, which has a long-standing border dispute with Venezuela, is maneuvering to block the move, as it did last fall—the first time a dispute between two nations was ever used as an excuse to deny membership. The Herrera Campins government has already made it clear that it will only attend the New Delhi summit if its membership in the organization is assured.

Venezuela is under pressure from international bankers, who are resorting to everything from withholding credits, promoting the OPEC price crisis, the launching of bogus default suits, to promoting monstrous capital flight, in an effort to coerce the government to sign an austerity pact with the U.S. Assistant Secretary of State Thomas Enders, Pol Pot’s old friend, recently traveled to Caracas to tell the Venezuelans they had better not entertain any ideas of discussing a debtors’ cartel with other Ibero-American nations.

- In Bolivia, President Hernán Siles Zuazo has been “destabilized” by State Department operations and coup threats to such an extent that he had to cancel visits to meet with French President François Mitterrand and Spain’s Felipe González last month. After the MIR party tried to collapse the Siles government by withdrawing from the cabinet, a State Department official admitted to *EIR* that, “although the MIR tries to look radical in terms of foreign policy, domestically, their policy is very much in agreement with ours.” In addition, the same official revealed that the State Department is circulating the rumor that Siles Zuazo is “doing nothing” to wipe out the cocaine trade—and that, by implication, Washington should no longer support his government.

Argentina's political parties battle the austerity policy of the IMF

by Cynthia Rush

On the eve of the International Monetary Fund's Interim Committee meeting in Washington, the coalition of Argentina's five major political parties—the *Multipartidaria*—shattered the image that the ruling military junta has been attempting to create: that the country is satisfactorily managing its debt crisis in coordination with the IMF and is even on the verge of an economic recovery.

On Feb. 2, the *Multipartidaria* issued a document challenging the junta to abandon its commitment to implementing the conditionalities included in the standby agreement signed with the IMF at the end of last year, and resolve those urgent political problems that stand in the way of a smooth transition to democratic rule scheduled to take place in late 1983 following national elections. The document charged that recent austerity measures implemented at the behest of the Fund—raising interest rates and public utility rates—represent a “new turning of the screws on economic and social policy . . . that establish grave conditionalities on the nation's march toward democracy.” Most astounding to the party coalition, the document asserts, is that these measures “award speculation and punish production . . . even while the country's foreign debt continues to grow with no valid official explanation.” In the 12 months following December 1981, a period during which Argentina was increasingly cut off from foreign credit, the country's foreign debt grew by almost \$7 billion to the present figure of \$43 billion.

The opposition document asserts that the crisis of the Argentine economy is the result of applying “monetarist policy, aggravated now by the commitments assumed with the International Monetary Fund.” Such policies have “served extranational interests, impoverished the country, and weakened it in its exercise of independent decision-making power.” The only viable alternative, the document continues, is “an immediate rectification in economic and social policy,” including increases in real wages, reactivation of the productive apparatus, real solutions to unemployment and combating the “economic causes” of inflation.

Aside from the sharp attack on current economic policy, the *Multipartidaria* also demands that those factions of the armed forces responsible for the monetarist destruction of the economy from 1976 onward, the excesses of the late-1970s war against subversion that created thousands of “dis-

appeared persons,” and the failure of the Malvinas War, be held accountable for their crimes.

Lines drawn

In the midst of a profound economic and political crisis, the *Multipartidaria* document hit like a bombshell. Not only did it expose the government's fraudulent claim to be reactivating the economy, it also dashed the junta's hopes of placing conditions on the transition to democratic rule. For months the junta has been trying to extract promises from the major political parties that the next government will not carry out Nuremberg-style trials or investigation of the crimes committed by the armed forces over the last seven years.

The government's initial response to the document, which it analyzed in a Feb. 4 emergency session, was defensive. Sources close to the junta reported that the generals were angered by the *Multipartidaria* statements and had determined, as a result, that all future dialogue with the political parties would exclude the issues that political leaders had identified as urgent: the “disappeared ones” and placing responsibility for the excesses of “dirty war” against subversion. The agenda for discussion, the junta revealed, will be restricted to “four or five” unspecified points.

Central Bank president Julio González del Solar, a former IMF employee, turned a deaf ear to the document's economic proposals. Just prior to leaving for the IMF meeting in Washington, he told reporters that the Argentine economy “shows clear and evident signs of reactivation,” including increases in real wages, and in exports and imports. At a time when Argentina is paying the highest interest rates in the world for new loans, and being told to put up its gold reserves as collateral, González del Solar had the nerve to say that there has been “an important drop in the cost of indebtedness.”

These responses represent a futile attempt to convince particularly the country's foreign creditors that the IMF's program can be implemented in Argentina. While in the United States for the IMF meeting, Finance Minister Jorge Wehbe will try to finalize a new loan package in the amount of \$1.5 billion from New York and Miami commercial bankers, and arrange refinancing of \$5 billion in short-term debt. He must be able to calm banks' anxieties about the country's ability to pay its debts and over the possibility that it would

consider such alternatives as forming part of an Ibero-American "debtors' cartel" to jointly renegotiate the continent's debt.

Concerned over the fact that political leaders such as Raul Alfonsín of the Unión Cívica Radical (RCR), a pre-candidate for his party's presidential nomination, and Juan José Taccone of the Peronist party have publicly called for the joint renegotiation of Ibero-America's debt, Wehbe told reporters on Jan. 26 that the idea of Argentina joining a debtors' cartel was "fantasy . . . Argentina should confront its debts with dignity and in accordance with its traditions . . . not only for ethical but for practical reasons. . . ." The finance minister chided the "poor in spirit" and the "pessimists" who criticize government economic policy, and expressed his confidence in the full recovery of the nation's economy in the framework of the program agreed upon with the IMF.

Destabilization plans

The military junta understands that it has no political backing for a program premised on the same monetarist looting of productive capacity that has characterized the country's economic policy since 1976. Even the London *Financial Times* reported in a Feb. 8 article that Finance Minister Wehbe will have a rough time with the U.S. bankers because he is having "increasing difficulty reconciling some of the IMF dictates with pressures from within his own cabinet, the employers' federation [the Argentine Industrial Union (UIA)—ed.], and the unions to modify some of the main planks of his economic program."

Nonetheless, the generals have decided to play hardball. They will do everything possible to destabilize the country economically and politically such that the next government will be unable to govern effectively—if at all.

A dangerous element in the junta's response is the decision to postpone the Vatican's mediation of Argentina's dispute with Chile over control of the Beagle Channel at the tip of the continent. Last week, following the death of Papal mediator Cardinal Antonio Samore, the junta revealed that it intends to let the mediation "vegetate" for the time being and let responsibility for resolving the dispute lie with the next government.

The interruption of the mediation, begun in 1979, is guaranteed to intensify tensions with Chile, and perhaps lead to an armed conflict. Rumors of troop movements in southern Argentina are already circulating in the country. To aggravate the situation, Chilean dictator Augusto Pinochet is scheduled to begin a 17-day trip on Feb. 14 that will culminate with a visit to Puerto Williams, the site of a Chilean airbase right on the Beagle Channel. Pinochet is expected to make provocative statements implying Chile's ownership of the channel during the visit which will, minimally, enrage the Argentine armed forces.

Argentina's opposition leaders understand that if negotiations with Chile are postponed and tensions allowed to build up through provocative acts on both sides, the next govern-

ment will be faced with an untenable situation when it takes power. As the daily *Clarín* noted on Feb. 6, the junta's strategy on the Beagle will create "new obstacles for what will surely be a fragile democratic government . . . that will find a country economically convulsed and with open wounds from the Malvinas War, from the 'disappeared' issue, among others." A high-level Argentine diplomat involved in the mediation noted that "to delay the decision now . . . could be very comfortable for those who will later accuse the constitutional government of betrayal and use the Beagle issue as an element for internal political destabilization."

Interview: Juan José Taccone

Argentine leader for joint debt action

Juan José Taccone, a leader of Argentina's Partido Justicialista and potential vice-presidential candidate in this year's elections was interviewed by EIR's Cynthia Rush on Feb. 9. Mr. Taccone, who had just returned from a European tour, has been active in his country's trade union movement for 40 years, holding positions in the commerce workers' union and the electrical workers' union, and serving as secretary-general of the light and power union. In 1973, he was named president of the Electrical Services Company of Greater Buenos Aires, and in 1976 helped found the America Latina 2001 Foundation. Currently he serves on the national directorate of the Peronist "62 Organizations" and is the international coordinator of the Office of Latin American Economic Information in Buenos Aires.

Rush: Mr. Taccone, you have just finished a tour of several European countries—Spain, France and Italy. What was the purpose of your trip, and how do European political and labor leaders view the situation in your country?

Taccone: The basic purpose of the trip was to explain the Peronist position—its principles and future positions—to the political forces of Europe and the United States. In this regard, we explained that Peronism is a strongly popular movement in Argentina that has carried out a profound social revolution, and is based on an alliance of values that unites people from diverse social sectors, but fundamentally workers. This is not simply a unity of interests, but a unity of great national and humanist values.

During the trip, we also observed the problems arising from an economic crisis imposed on the world by those monetarist and financial sectors who have planned recession to force the world into backwardness.

As for the views of Europe's labor and political leaders,

all of them are hopeful that Argentina will quickly achieve its institutional normalization. We consider it very positive that they reject anything that might postpone that institutionalization.

Rush: In Madrid you posed the necessity of Ibero-American unity and a joint renegotiation of the continent's debt. Can you elaborate your thinking on this point?

Taccone: We believe that the indebtedness of our countries originated with world financial sectors who at a given moment had liquidity available through petrodollar deposits and imposed their policies on those governments in the developing sector and especially in Ibero-America, that favored this easy money policy. As this was a global plan, we have determined after examining the foreign debt of our own country for example—where there is a discrepancy of \$6.8 billion in our debt not explained by the entry of loans into the country—that it is necessary to convene an Ibero-American conference, including a meeting of the Organization of American States, to discuss the problem of Ibero-America's \$260 billion in foreign debt, and propose a joint renegotiation. This situation was imposed on our countries as a collective process, and as an antibody, there must be collective response from our side.

Rush: Argentina's finance minister, Dr. Wehbe, recently said it was "fantasy" to think that Argentina would ever join a debtors' cartel. Both he and central bank president González del Solar appear determined to implement the program agreed upon with the International Monetary Fund. Will Argentina have to wait for a new government before there can be changes in monetary policy?

Taccone: Recently the *Multipartidaria*, representing the majority political parties or 90 percent of the country's votes, stressed the necessity of this collective action as well as the urgent necessity of changing the monetarist policy still defended by Dr. Wehbe and the president of the central bank. That declaration called for reversing a policy that every day brings Argentina closer to a process that can have no positive results. The inflation rate announced today for the month of January was 16 percent; that means that we are entering an ever more recessionary phase with rates that already approach hyperinflation. It is imperative therefore that this policy be immediately reversed and that restrictions of the type imposed by the International Monetary Fund be rejected.

Rush: The founder of *EIR*, Mr. Lyndon LaRouche, estimates that we have only weeks to forge Third World unity—and particularly the unity of Ibero-American nations—to form a debtors' cartel and force the advanced-sector nations to carry out needed reforms of the international monetary system. In this regard he emphasizes the importance of the New Delhi Non-Aligned summit in early March as a forum in which these proposals must be taken up. How do you view this situation?

Taccone: I would say that we have little hope that, in spite

of our fight, those sectors now ensconced in power in this country will carry out these urgent changes in policy. Of course we will continue fighting. From the day that I returned from my trip, I have been continually insisting in my statements and in the reports that I give within my movement on the need to take immediate collective action with the countries of the Third World, and to have Peronist observers at all the [international] forums that take place from here on.

Rush: Historically, what is the origin of the notion of continental integration developed by your party?

Taccone: Until the time of Perón, the concept of Ibero-American integration was essentially denied us; the idea was always that our country was simply a European country, integrated with Europe. But this didn't refer to the Europe from which we originated—that is the Europe of many of our Spanish and Italian immigrants. This was considered too mediocre. Rather it was the Anglo-Saxon plan conceived by British imperialism. That was the European project that our oligarchy bought in the field of economics. And for reasons of status, they also bought French literature. This is what distorted Argentines' understanding—originating from within our schools—of what its mission of brotherhood must be with other Ibero-American nations.

When Perón entered Argentine politics, he began to talk of a third position vis-à-vis imperialism, and he formulated the necessity of Ibero-American unity. That was his constant espousal which in the later period took the form of a warning, a message to the continent's youth that if by the year 2000 Ibero-America were not strongly united, it would be irreversibly enslaved. This idea also provoked a strong popular response from the Ibero-American people, and today the immense majority of the Argentine people are imbued with this concept of continental unity.

Rush: If Peronism wins in the next elections, what specific means will it use to achieve these goals? I know that you have had extensive experience in the field of energy, for example. What form will cooperation among Ibero-American nations take?

Taccone: Aside from the unity of the popular parties of the continent to achieve common goals, we feel there must also be a unity of Ibero-America's labor movement to achieve common demands such as minimum levels of consumption for all the peoples of Ibero-America, that will also unite us in the perspective of the equality that must exist among all men.

Otherwise, we understand that there are fundamental Ibero-American infrastructural projects that can unite us. One essential one is the plan to integrate the Orinoco, Amazon and Rio de la Plata basins. This would achieve the fluvial integration of Ibero-America, and at the same time integrate it in terms of energy production. That would mean a great savings of fuel and allow an enormous energy development. It would also permit the colonization of Ibero-America's

lands that would allow us to expand food production.

This is a vital project. There is no doubt that there could then be development of minerals—in Venezuela, Brazil, Bolivia, Argentina, and Chile. And to this we can add the concept of integrating our own country from the stand-point of populating our empty spaces. Argentina must open its frontiers in an expression of solidarity with its Ibero-American brothers. Argentina currently has over 1.6 billion hectares in colonizable lands; it now cultivates only 20,000 out of a potential 70,000 hectares of arable land; it has large reserves of food and energy, and can contribute enormously to the process of Ibero-American integration through its own development.

Rush: Over the past week, the military junta has decided to postpone the Papal mediation in the dispute between Argentina and Chile over the Beagle Channel. How will that decision affect the country's internal situation, and what do you propose as a solution to that dispute?

Taccone: The postponement of the Papal mediation is not to our liking. We believe that the criteria outlined by the Pope to resolve the dispute should have been ratified; but we also support the idea of expanding those criteria in the sense of returning to the plan proposed by Peron and Chile's General Ibañez in 1952, in which they agreed that within five years they would eliminate the borders between Argentina and Chile. Given the problems that both countries have today with their national production, I would propose that a deep-water port be built on the Pacific [in southern Chile—ed.], another deep-water port be built on the Atlantic, and a highway of a distance of no more than 1,000 kilometers built between them that would unite the two oceans and open the ports to use by either country. This is the path to brotherhood, and to destroying the "Balkanization" plan imposed on both our countries by British imperialism. Our answer must be the elimination of frontiers, and integration with brother countries.

Rush: If this dispute is not settled, how will it affect the internal situation, and what are the implications for the next government?

Taccone: Like other urgent problems, if this is not resolved it will further aggravate the tasks of the next constitutional government; from the very first day that government will find itself imprisoned by a series of urgent problems aside from the serious economic, political and social problems caused by the past seven years of non-government.

Rush: How do you perceive Argentina's relation with the United States, and what type of relation would a Peronist government seek?

Taccone: We think that we should start from the premise of a real friendship with the United States. What we want however is for financial sectors of the United States to stop interfering in the internal problems of our countries, the way that Mr. Rockefeller has been doing during the past seven years,

and imposing policies on our nations. We believe in political brotherhood with the United States and we have friends there. We believe that we have to develop that friendship, but we're convinced that it will only consolidate itself when the forces of world monetarism are also defeated in that country.

Rush: Last October, a new institution—the Club of Life—was created in Rome at the initiative of Mrs. Helga Zepp-LaRouche, to oppose Malthusian policies as expressed in the conditionalities imposed by the IMF for example. At that time Pedro Rubio of the Colombian Workers Union [UTC] proposed the creation of a North-South Labor Committee within the Club of Life in which workers from the advanced sector would unite with developing-sector workers around a program to foster the industrialization of both and in defense of the proposals put forward in [Lyndon LaRouche's memorandum] "Operation Juárez." Is there support in the Argentine labor movement for such a proposal?

Taccone: I am certain that once the Argentine labor movement is informed of Compañero Rubio's proposal, it will support it because the Argentine labor movement has always been present in every action and discussion that intends to guarantee the development of our peoples. We observe with great concern those theories proposing limits to growth, de-industrialization, or those that might mean the imposing of a new monetary system behind our backs. Workers in particular believe that we have the right to participate in all discussions on the development of our nations. So Compañero Rubio's proposal seems very positive to me, because it means that working men, from the industrialized nations as well as from the developing nations, can sit down to discuss these issues. This moment is right for this. Perhaps a few years ago, our trade-union friends from the advanced sector feared discussion with us. But today they are experiencing the same crisis as we are, and confronting the same interests of backwardness that we have confronted and continue to confront. That is why I believe that Compañero Rubio's proposal is more positive than ever at this time.

Colombian press: 'Club of Life vital to Third World'

The following article by Jaime Sanin Cheverri was distributed by the Colprensa news agency. It appeared in El Colombiano in Medellín on Feb. 3 and La Republica in Bogotá on Feb. 4, and elsewhere throughout Colombia. The author is the publisher of Arco magazine, a member of the Colombian Academy of Letters, and a close friend of President Belisario Betancur. The article was titled "The Club of Life." Subtitles have been added.

An international conference of the Club of Life will be held in Bogotá on Feb. 18. This is a newborn institution, one founded in Rome last Oct. 21 under the special direction of

Helga Zepp-LaRouche and her husband, Lyndon H. LaRouche, Jr. Both are politicians and thinkers and both leaders; she, based in West Germany, and he primarily in the United States.

Ten years after the founding of the Club of Rome, a vigorous rebuttal was delivered in that same eternal city.

Polar opposites

“The Club of Life,” says its founding prospectus, “is conceived as the opposing pole to the Club of Rome, both in its conception of the universe and in its political intentions.” The entire so-called philosophy of the Club of Rome is summed up in the title of the famous French novel. *The Fear of Living*.

Employing all forms of mass media, it has impregnated contemporary man with a pessimistic and negativistic attitudes which translate as “hatred of life.”

Zero growth is the undisguised ideal nurtured by the Club of Rome. The world's population should not go beyond 2 billion inhabitants. All others are not invited to what Paul VI termed in speaking to the United Nations in New York, “the banquet of life.” To expel those not invited, the Club of Rome and its followers are not just playing around.

They have wielded their incomparable financial power with enormous audacity. They operate out of the United Nations and through the governments of the great powers and the power of American foundations. There is no country in which they have not spread propaganda for and practiced contraception, sterilization of females and males, abortion, and ultimately, the most sinister plans to assassinate the elderly and the handicapped. Never before, not even in Hitler's Germany, have genocidal plans been presented so blatantly.

David and Goliath

Against this onslaught of extermination, the Club of Life comes forward in today's world like David with his slingshot against Goliath. The LaRouche couple and the many people around the world who follow them offer an encouraging program of optimism, based on scientific postulates against the sophistry of the neo-Malthusians. They seek nothing less than to reform the world economic system. The world's resources and the infinite potential of human genius have merely begun to be utilized in the historical period which is ours to live in.

On profoundly rational foundations based on the most serious of studies, without romantic outbursts about undefined “progress,” the men and women of the Club of Life offer a promising future for all mankind, and especially for those of us who languish amid underdevelopment. It is important that this reaction has its epicenter in the developed countries, but it is necessary that those who are still on the way to development march behind those life-saving postulates, even though they must wage an unequal battle against the strength of those who today hold all the power to advertise lies.

Ríos Montt's shadow over Central America

by Timothy Rush

Pope John Paul II will arrive in Central America on March 2 on one of the most dangerous and difficult peace missions yet in a pontificate famous for extended and risky pastoral trips. From a first base in Costa Rica, he will make one-day trips to Panama and Nicaragua. On March 5, he will stop for nine hours in war-torn El Salvador, proceeding on to Guatemala, his second base of operations. From Guatemala he will make a one-day trip to Honduras, and on March 9, fly to Haiti to preside over a conclave of the Latin American Episcopal Conference (CELAM).

Four weeks before the beginning of the Pope's visit, the U.S. State Department suddenly sprang into action with a major “reassessment” of its policies in the region, supposedly triggered by the string of reversals for the El Salvadoran military starting early in January. Two high-level missions were dispatched. U.N. Ambassador Jeane Kirkpatrick, “at President Reagan and Secretary Shultz's request,” according to the official release, undertook a sudden 10-day tour through Costa Rica, Honduras, El Salvador, Panama, and Venezuela. On Feb. 6, the Assistant Secretary of State for Interamerican Affairs, Thomas Enders, and ranking State Department planning staffer for Latin America Luigi Einaudi, showed up in Madrid for talks with Felipe González and other members of the new Spanish Socialist government, and a likely parley with Cuba's Vice-President Carlos Rafael Rodríguez, who “happened” to fly into Madrid the same day.

Howard Wiarda, Latin America expert occupying Kirkpatrick's old position at the American Enterprise Institute told *EIR* that “something is up. There's a lot of new thinking; new options are opening up.” He said that a cease-fire might be the next U.S. move, to be followed by some form of negotiations which would be “neither Saigon-like abandonment” of the country nor “handing power over to the guerrillas.”

At one level, the sudden flurry of diplomatic initiatives seems to allow the State Department some flexibility of maneuver in the environment of the Pope's trip. A hard-line, “send the Marines in” approach to the deteriorating army position in El Salvador would put the United States at embarrassing cross-purposes with John Paul's efforts to heal the region. A new “soft approach” grabs headlines for the State

Department, which sees Central America as its most promising continental diversion to the "debt bomb" motion on economic issues otherwise spreading from Argentina to Mexico.

Enter Ríos Montt

Preliminary *EIR* investigations show that something more lies behind the situation than whether or not the U.S. State Department is "sincere" in its sudden dove cooings. The key to it is the State Department's build-up of Guatemalan zombie strongman, Efraín Ríos Montt, as the model for the region.

In Spain, Enders urged the Socialist International to "re-assess" its previous condemnation of the Ríos Montt regime, on the grounds that the general had reduced death squad activity in the cities and was making strides in pacifying the countryside. Two weeks earlier the State Department had presented its "documentation" of the improvement to Congress with great flourish, and two months earlier, had maneuvered President Reagan into sitting down for a slide show

with Ríos Montt, after which Reagan emerged to say that Ríos Montt had been given a "bum rap" on his human rights record by hostile media.

"Born-again Christian" Ríos Montt has been a State Department project at least since Gen. Vernon Walters's "secret" trips to Guatemala in the year before Ríos Montt's March 23, 1982 coup, during which time Haig's emissary let it be known that the United States looked askance at a continuation of the succession of hardline "gorrilla" regimes then represented by the government of Gen. Romeo Lucas García.

The model that the 57-year-old general represents is a Latin-Americanized Pol Pot—nothing surprising, since it was Kissinger's handpicked Thomas Enders who installed Pol Pot in Kampuchea in the 1973-75 period. Ríos Montt's much-touted "guns and beans" program in the largely-Indian countryside is based on first destroying homes and razing crops in areas reportedly infiltrated by guerrillas. In a typical operation, a swath of villages 20 by 40 miles in size north of the mountain center of Chimaltenango is destroyed. Then terror-

Guatemala moves to destabilize Mexico

On Jan. 27, two hundred Guatemalan soldiers in civilian dress crossed into Mexico, hauled out four victims from refugee camps on the Mexican border, and executed them. A fifth refugee was abducted. The incident was the second such blatant incursion in seven months.

Four days later, Mexican President Miguel de la Madrid emerged from an emergency meeting with his foreign, defense, and interior ministers to announce that his nation was issuing what amounts to an ultimatum of three points to Guatemala. The Guatemalans must 1) fully investigate and clarify the incident, 2) provide guarantees that no further incursions occur, and 3) punish those responsible.

The response of Ríos Montt's government so far has been denial of any responsibility for the incursion. The Guatemalan foreign minister, in a letter to the Papal Nuncio in Guatemala, countercharged that Mexico was involved in an "international campaign to destroy the New Society of President Ríos Montt. We have the Truth, and we will make the Truth prevail." Guatemalan Commerce Minister Mathen Duchez stated blithely that the solution was for the estimated 30,000 refugees, most of them fleeing from massacres perpetrated by Ríos Montt's military or the new rural militias, "to simply return to their homes."

The Mexican stance was hardly an overreaction. Such influentials as the British-run Heritage Foundation in Washington, which touts the "enormous good"

now being done by Ríos Montt, have staked their reputations for years on the scenario of Central American violence "spilling over" into Mexico, and especially into the oilfields 150 miles from the border.

The provocations on the border itself are not the only way in which the Ríos Montt threat materializes for Mexico. The economic strain of a total of some 150,000 refugees from all theatres of Central American conflict, spread over many parts of Mexican territory, is that much more difficult to absorb because of the state of collapse of the Mexican economy.

Mexico has also had to fight off a plethora of "humanitarian agencies," which have attempted to usurp Mexican authority over the refugee camps. Many of these agencies are just fronts for intelligence and stabilization activities, especially with a "religious" cover. The Protestant sect which Ríos Montt preaches for in Guatemala, the Church of the Word, first entered Guatemala in 1976 on the coattails of the World Vision fundamentalist relief agency, one of the largest "refugee camp management agencies" in the world, invited in to build housing after the 1976 earthquake.

Well aware of the danger, de la Madrid flatly turned down U.N. High Commissioner on Refugees (UNHCR) Paul Hartling when he requested that private agencies be given free run of the refugee camps. A petulant Hartling called a press conference Feb. 3 before returning to Europe, where he lamented that Mexico "had opted, for the moment," to work only with the UNHCR itself, "without the participation of other voluntary, religious, or humanitarian agencies," whose aid "we have found very satisfactory" in the past.

ized survivors who have fled with their families to the mountains, "eating roots and leaves" in the accounts of many, are allowed to re-incorporate themselves in special fortified hamlets. They are given a gun, under obligation of serving in special "militia" patrols with quotas of "guerrillas" they are to shoot down—and food rations.

"If you are with us, we'll feed you; if not, we'll kill you," an army officer involved with the genocide is quoted as saying. Ríos Montt himself said in October that his regime does not hang its opponents: "We shoot them."

Fully 400,000 peasants are now reported to be incorporated in killer bands preying on neighboring villagers or anyone else identified as the enemy; if you don't kill, no food.

The connection between food and killing becomes so close it disappears altogether in instances of cannibalism reported in the Mexican press last summer and at the beginning of February in *Le Monde*.

There are two beauties to the Ríos Montt model in the eyes of State Department sponsors. First, he carries the image of a moral crusader who has cleaned up the notorious corruption and "oligarchical" stench of the previous military command.

Second, he brings to the fore the question of Protestant-versus-Catholic conflict in a country which, over the five years since his own "conversion" to the Guatemalan branch of the California-based Gospel Outreach fundamentalist sect, has seen the percentage of Protestants shoot to as high as 30 percent. The people sent in to administer the food distribution aspects of the strategic hamlet operations include most of the 1,200 missionaries of Ríos Montt's "Church of the Word" in Guatemala and similar cultists. The principle followed is that once a village leader can be brought "into the fold," the rest of the village follows as a matter of mass conversion.

A world-wide network

The Ríos Montt experiment ties into a much broader activation of kook "fundamentalists," which spans religions and has the common denominator of sparking fratricidal bloodshed. Gospel Outreach's newsletter *Radiance*, has recently promoted the work of the joint Christian and Jewish "fundamentalist" group called Tav Ministries. Outreach "elder," Richard Paradise, a member of Tav, serves as one of the liaison officers.

Tav ministries, as recently exposed in *EIR*, is attempting to trigger violent Jewish-Muslim confrontation in the Middle East with a plan to re-build the "Temple of the Mount" on the Jerusalem site of the second-holiest shrine of Islam (see Special Report this week).

The Israeli mafia faction of Ariel Sharon is aiding the Tav project. Sharon's mechinations come full circle with his ties into Honduras and Guatemala. Sharon allies obtained the franchise for establishing the Guatemalan army's communications and intelligence command center outside Guatemala City, and are running it today under Ríos Montt. They moved into the same role in Honduras over the past year, clearing

the way for Sharon's own sudden three-day appearance in Honduras at the end of November 1982. Under cover of Israeli arms deals, intelligence sources report, Sharon concluded arrangements for drug transshipment and safehousing of the Nazi cocaine-running apparatus in South America being dismantled by the new Bolivian president, Siles Zuazo.

The strange case of Sigmundo Ochoa

There are indications that El Salvador is now being prepared for the spread of the Ríos Montt treatment.

During the second week of January, the most highly touted field military commander in El Salvador, Col. Sigmundo Ochoa, declared himself in rebellion against the orders of the "corrupt" military layers at the top, epitomized by Defense Minister José Guillermo García, who "keep their money and their families in Florida or Switzerland." The officer had been featured in a U.S. television documentary six months earlier for his implementation of mobile small-patrol tactics in day and night fighting, which successfully neutralized guerrilla capabilities in his district.

Ochoa's every move during the tense week of confrontation with the Salvadoran military command "was coordinated by the U.S. embassy," according to Heritage Foundation sources. When the lesson had been duly drawn by the U.S. media that the Salvadoran military was finished as a cohesive force, the crisis was settled—with Ochoa being sent to the prestigious U.S. Defense College outside Washington, poised to return at any time his service may be drafted.

The following week U.S. advisers gave the go-ahead for a massed assault of 6,000 of the best-trained Salvadoran troops on the guerrilla stronghold of northern Morazan. From a military standpoint, it was an incomprehensible move. The guerrillas have shown time and time again that they can more than hold their own on such terrain, as they did again this time. Meanwhile, the guerrillas struck into two other provinces left defenseless by the troop redeployments, and the regional center of Berlin fell into rebel hands for the first time in the war. From a political standpoint, however, it served the purpose of further driving the nails into the coffin of the presently constituted military.

El Salvador, like Guatemala, is a fertile field for a shift from "gorrilla" thuggery to "guns and beans" tactics laced with intensifying religious conflict. Protestant inroads into Salvador are second only to those into Guatemala, church experts report.

Salvadoran Archbishop Arturo Rivera Damas warned Feb. 6 that no one should take advantage of the Pope's upcoming trip "for political ends." He specifically called on Protestant groups "not to fear or insult the illustrious visitor."

In the light of Ríos Montt's record inside Guatemala and the threat posed to the rest of Central America and Mexico, the newspaper *New Solidarity*, linked to *EIR* founder Lyndon LaRouche, demanded that U.S. covert capabilities in Guatemala be activated to eliminate Ríos Montt at the earliest possible opportunity.

The Bulgarian connection leads back to Western terror networks

by Umberto Pascali in Rome

Following the investigation of the Italian magistracy into the murder attempt against John Paul II and the biggest illegal drug and weapons traffic ever discovered in Europe, the expression "Bulgarian track" became familiar to the public at large.

"Bulgarian track" indicates the fact that the Bulgarian capital, Sofia, emerged as the center of a criminal network controlling terrorism, drugs, mafia organizations, and weapons smuggling. The Sofia center was also a crucial base of operations for several secret services and for the planning of political destabilizations and assassinations. The findings on the illegal activities carried out from Sofia confirm the involvement of the Bulgarian secret services and the Soviet KGB. While nobody at this point can deny that involvement, the whole story cannot be presented in terms of the scenario of "the Eastern plot against the West" as such.

Sofia and the KGB, no doubt, are crucial elements in the command structure of the network that has been destroying the youth of Western Europe and America with drugs for the last 15 years, but they are just elements. There are other forces besides the East closely collaborating with the Sofia center. The investigations, as we shall see in detail, show that a large part of the weapons illegally smuggled were coming from NATO depots in West Germany. The incredibly large amounts of morphine coming from Turkey and Sofia arrived undisturbed in one of the most highly NATO-militarized areas of Western Europe, the triangle of Bolzano, Verona, and Trieste.

And who came out claiming that the Italian investigations had to be considered "non-serious"? It was the West German, Israeli, and U.S. secret services, in a departure from standard procedure, let the world media know that they are "skeptical." The British press in particular tried every means to ridicule the investigations. The *Daily Mirror* even delivered what is believed to be a threat against Rome Prosecutor Illario Martella, who is in charge of investigating the attempt against the Pope. The British paper wrote that Martella felt tired and was going to resign. The magistrate immediately answered, making clear his determination to arrive at the truth. Attempts to block the investigations are increasing. On Jan. 3, the

Brussels correspondent of *La Stampa*, Renato Proni, reported in the front page of the FIAT-owned daily that "considering all the implications, NATO allies would be happier if the Italian magistrates had never lifted the veils of this alarming affair."

This is also the position of U.S. Secretary of State George Shultz, and the U.S. Vice-President and former head of the CIA, George Bush.

At this point the banalities reported by the press on the Bulgarian track begin to look more and more like a cover for something much more explosive, a cover based on the delphic principle: if you are under pressure, reveal a part of the truth in order to divert the attention from the whole truth. For the puppet-masters of the traffic of death, this is a very delicate and a very dangerous moment. A large part of their dirty game is being discovered. For the broad public it has begun to become clear that mafias are just instruments, and that the accumulation of money through these illegal activities is an instrument to establish a new order, something that the world already has known partially in the form of Fascism and Nazism.

We will put together here the pieces of this sinister death puzzle of drugs, terrorism, arms smuggling, separatists, and "peace movements," secret services, and Mafias, up to the highest level of oligarchical control, up to the head of the octopus. It is here at the highest level that it is necessary to strike.

From Ankara to Trieste: weapons for drugs

Last November, the Italian press reported that Trento Prosecutor Carlo Palermo had discovered and begun to dismantle what the magistrate defined as "the biggest network of weapons-smuggling ever discovered in Europe." A few days earlier, Palermo had succeeded in arresting the boss of the traffic, the 70-year-old Syrian citizen Henri Arsan, who had been living in Italy for the last 20 years. Arsan's operative center was the company Stibam International Transport, based in Milan at Via Oldofredi 20, in a building owned by Banco Ambrosiano. In the same building was the apartment of the vice-president of the bank, Roberto Rosone. From the small

offices of the Stibam, Arsan was leading a huge network smuggling weapons in exchange for drugs and taking care of all the immense financial problems involved.

To say that Arsan enjoyed high-level protection is euphemistic. The Syrian was able to deal directly with governments, in addition, of course, to his capability of moving mafias, terrorist organizations, and so on. The gang of Arsan (and of his puppet masters) is responsible for the drugs that have flooded Western Europe in the last 15 years. The drugs refined by the Sicilian Mafia, for example, were coming from Arsan's well-oiled machine.

Thanks to the work of Judge Palermo, it is now possible to reconstruct the map of this immense traffic. The starting point for the drugs, in form of morphine, was Turkey. Here the Turkish Mafia collected the opium produced in Afghanistan, Iran, Syria, and other areas of the Middle and Far East. In Turkey, the opium was transformed into morphine by the powerful Turkish Mafia that collaborates closely with the Bulgarian secret services and thus with the Soviet KGB—led for the last 15 years by the present head of the Soviet Communist Party, Yuri Andropov.

One of the key centers of "negotiation" was Sofia, Bulgaria, where one of the most important bosses of the Turkish mafia, Bekir Celenk, lives under the protection of the Bulgarian authorities. From Turkey, the drugs were shipped to Trieste, through Bulgaria and Yugoslavia. For the transport they used the big international trucks of the TIR company; finally the "commodity" was deposited in the Verona-Trieste-Bolzano triangle. It should be underlined again that this area is one of the regions most controlled by the NATO military. Verona, the Italian city most victimized by drugs, is the NATO center for psychological warfare, which was already involved in a famous coup d'état attempt together with Licio Gelli and his Propaganda-2 Lodge.

From this area the drugs were shipped, mostly through Milan, to Sicily, where they were transformed into heroin in the refineries controlled by the Mafia and finally shipped to North America. So the quasi-totality of the drugs consumed in North America was coming from the Arsan gang. From the northeast of Italy, part of the drugs was also sent north towards Munich, Stuttgart, Hamburg, and Scandinavia. Another part was sent to Marseilles. Some of these drug shipments were also circulating in Belgium and Holland; Bulgarian trucks had been seen in the vicinity of NATO facilities in Belgium. Were these trucks delivering drugs and getting weapons? For the moment, although many signs would tend to confirm this hypothesis, it is not possible to answer this question.

The organization of Arsan collaborated closely with Sicilian Mafia boss Gerlando Alberti, who was in charge for the Sicilian refineries. To have an idea of the dimensions of this traffic, suffice it to say that one of the smugglers working out of Bolzano, Karl Kofler, succeeded in smuggling around four tons of drugs into the Milan area in one year.

But drugs were only one aspect of Arsan's activities. The

drugs were paid for with the "most requested currency": weapons! In 20 years the Arsan gang smuggled to the Middle East hundreds of millions of tons of weapons. Arsan was not just dealing in light weapons and guns. He used to smuggle Leopard tanks and U.S.-produced military helicopters, the "209 AHIG Cobra." The weapons firms involved in the illegal traffic are Colt, Agusta-Bell, Krauss Maffei, Smith & Wesson, Mauser, Mannlicher, and Beretta. Weapons produced in the Soviet Union and Bulgaria were also involved.

Mafioso Gerlando Alberti, who worked together with the Turkish Mafia family Wakkas, used to collect money coming from kidnapping ransoms and other criminal activities, which was then deposited in banking accounts in New York, Zürich, Frankfurt, London, and elsewhere, in order to buy up weapons to be sent to the Middle East.

The principal point of arrival of the weapons was the Sharadon region, in the Syrian territory bordering Turkey. From there, the weapons were smuggled to the different "clients" that included terrorist gangs, military groups, and governments. These weapons continuously stoked the fires of local wars and terrorism of every type.

Arsan owned trains and even a fleet. His weapons were smuggled especially through the Tyrrhenian ports of Genoa and Leghorn. But above all, he enjoyed the support of the international Masonry and more directly, as we shall see, of the infamous P-2 Lodge of the "Venerable Master," Licio Gelli.

Sofia and the attempt against the Pope

According to many witnesses interrogated by Judge Palermo, Sofia was, with Milan, the most important center for these illegal businesses. Tens of "businessmen" used to meet in Sofia in the Café Berlin or in the "Japanese" Hotel to conclude contracts for weapons or drugs. One witness reported that he was present at a discussion where it was decided to establish a big drug center in Frankfurt.

In Sofia the whole traffic rotates around the Turkish mafioso Bekir Celenk, who lives in the best hotel of the Bulgarian capital, the Vitosha Hotel, well-protected by local authorities. Celenk decided to settle in Sofia after an arrest warrant was issued against him by the Turkish authorities. The director of the Vitosha Hotel, a former colonel of the Bulgarian army, is reportedly on the best of terms with the Turkish mafioso; to better illustrate the protection enjoyed by Celenk, it is enough to mention the fact that in 1981 a journalist who tried to approach Celenk was stabbed by one of the mafioso's bodyguards.

In reality, Bulgaria is used by the KGB for operations considered "delicate." These operations of course include the immense traffic of drugs and weapons, and beyond that also play a particular role in protecting terrorists. The huge amount of money obtained through the dirty traffic goes into financing important destabilization operations such as the "peace" and green movements. This fact is well known. What has prevented an adequate reaction is the fact that the KGB of

Andropov has always found allies in the West, in particular in British-KGB network, which brings us directly to the upper level of the operation, the Scottish Rite Masonry.

The findings of Judge Palermo on the Sofia center have been fully confirmed by the investigations carried out by Rome Prosecutor Ilario Martella on the attempt against John Paul II. Martella found out that Mehmet Ali Agca, the terrorist who tried to kill the Pope on May 13, 1981, had been trained in Sofia and had been offered 3 million deutschmarks by Bekir Celenk! Agca was helped to escape from his prison in Turkey (where he was detailed after he killed the director of the newspaper *Milliyet*) by the Turkish Mafia and then helped to cross the Bulgarian border and finally to reach Sofia. Here Agca remained for six weeks and was introduced by Celenk to three Bulgarian citizens: Serghey Ivanov Antonov, head of Balkan Air in Rome; Teodor Ayavazov, treasurer of the Bulgarian Embassy; and Vassiliev Kolev, aide to the military attaché at the same embassy. According to the confession of Agca, Antonov and Ayavazov helped him to prepare the attempt. Judge Martella issued arrest warrants for the three Bulgarians and for Celenk. Antonov is the only one who could be arrested in Rome. The Bulgarian authorities finally decided to arrest Celenk (or, rather, to open an "investigation" while Celenk could continue his activities from the Hotel Vitosha), but are now threatening to free him if Martella does not provide evidence.

The involvement of Bulgaria is also coming out clearly in the investigation by Rome Judge Ferdinando Imposimato on the former head of the International Department of the socialist trade-union federation UIL, Luigi Scricciolo. Scricciolo had been arrested when he was discovered to have been "foreign minister" of the Red Brigades and one of the kidnapers of the U.S. Gen. James Dozier. Scricciolo confessed to having been paid by the Bulgarian secret services.

The Masonic connection

The Bulgarian connection is only a first level, which could not explain the whole network behind the drug traffic or the plot to assassinate the Pope. The scenario of the "Eastern plot against the West" is a demagogic explanation to cover the deeper truth.

What we find if we just scratch the surface is a network that goes through the East *and* the West. Already at the beginning of the investigations, we found the P-2 lodge, the Masonic lodge responsible for the last 15 years of terrorism and destabilization in Italy (see *EIR*, Feb. 9, 1982). The lodge was created by former Fascist torturer, Licio Gelli, who was in close contact with the former Italian royal family, the Savoy, but had at the same time close links with the East, to the point of being accused of being a KGB agent. In reality Gelli has always been an agent of the "black" oligarchical families whose titles predate the founding of the Italian nation. Very close to the Duke of Kent, the Grand Master of the United Lodge of London and cousin of Queen Elizabeth of England, Gelli was able to restructure his lodge in 1969

thanks to the help of Henry Kissinger and Alexander Haig. Soon Gelli became one of the most powerful figures in Italy and not only in Italy. As the scandal that finally in May 1980 erupted showed, Gelli had made a large part of the Italian leadership members of his lodge.

The first evident point of contact between the investigation of Judge Palermo and P-2 was the fact that Arsan's company, Stibam, was not only located in a building owned by Banco Ambrosiano, but also had other very close links to the bank that became known as the "bank of P-2." The late president of Banco Ambrosiano, Roberto Calvi, was one of the closest contacts of Licio Gelli, who himself "initiated" Calvi into the Grand Lodge of London on behalf of the Duke of Kent in a hotel in Geneva. Calvi was found hanged under Blackfriars' bridge in London June 18, 1981. After the initial verdict of suicide, the London magistracy had been recently forced to re-open the case, apparently because of the researches of the Milan magistracy, which is also following up an *Esposito*, or legal brief, introduced into the courts by European Labor Party General-Secretary Fiorella Operto, charging that Calvi's death was a "ritual Masonic assassination," which was decided on after Calvi had "betrayed" his former masters.

The banalities reported by the press about 'the Bulgarian connection' begin to look like a cover for something more explosive, a cover based on the delphic principle: if you are under pressure, reveal a part of the truth in order to divert attention from the whole truth. For the puppet-masters of the traffic of death, this is a very dangerous moment. The broad public has begun to understand that mafias and their money are only instruments to establish a new order.

Ritual assassinations are not new in this story. On March 7, 1981, one of the top individuals in Arsan's gang who had been arrested by Judge Palermo, Karl Kofler, was found dead in his cell in the Trento jail. Officially it was a suicide. But Kofler had been killed with a long needle passed through his heart! He was a key witness, and it seems he was going to confess. The group of "suicides" also included Herbert Hoberhofer, a former neo-Nazi terrorist in the Bolzano area, then magically turned into an informant of the Finance Ministry's tax police, just at the time when its leadership was fully controlled by P-2. Hoberhofer was closely linked to the lodge of Gelli.

A very interesting case showing the connection between the high levels of the Masonry and the gang of Arsan is that of Stefano Delle Chiaie. The notorious Black International leader involved in every major terrorist attempt from the 1969 Milan bombing to the bloody massacre of the Bologna train station on Aug. 2, 1980, Delle Chiaie is a henchman of the P-2 lodge's Licio Gelli. Bologna Magistrate Aldo Gentile, before being ousted from the case, obtained the evidence showing the involvement of Delle Chiaie and his group in the atrocity that led to the issuing of an arrest warrant against him. Moreover, Gentile discovered that the attempt had been planned in March 1980 in the Hotel de Paris in Monte Carlo in a session of the Comité Executif Masonique or Comité Montecarlo. This Comité, presented by the press as "a super P-2 lodge," had been created by Gelli around 1979 when rumors about his P-2 had begun to surface publicly. The Comité includes European and North American figures, especially people linked to the Trilateral Commission, among them Henry Kissinger, the same Kissinger who reorganized the P-2 lodge in 1969. Gelli personally went to meet Delle Chiaie in Bolivia to deliver the order of the Comité. In La Paz, Delle Chiaie was working as a senior official of the fascist regime of Bolivia, before the new President Siles Zuazo took power. The Italian terrorist worked inside the Interior Ministry and was "protecting" the planting and traffic in cocaine. He was also involved in weapons traffic and specialized in torturing political prisoners.

But Delle Chiaie was also working for the Arsan network. Arsan was able to supply American weapons to the Iranians just when Iran was at war with Iraq. Another "operation" consisted in organizing an exchange of "oil for weapons" between Iran and Israel. According to the magazine *Middle East*, this exchange permitted the Iranian offensive against Iraq and supplied the oil for the Israeli invasion of Lebanon. British Petroleum and Royal Dutch Shell collaborated in the operation, which was led by a Swiss financial holding owned by Ambrosiano bank, and the diversified Swiss financial company Dreikot, whose boss is Hans Albert Kunz, the same individual involved in the last tragic journey of Robert Calvi to London.

Recently Kunz and Delle Chiaie met in Switzerland with Sadegh Tabatabai, the son-in-law of Khomeini who is the top person responsible for collecting weapons for the Iranian regime. A few weeks ago Tabatabai was arrested at the Dusseldorf airport with one and a half kilos of heroin. Immediately afterward, he was freed. It is believed that the son-in-law to Khomeini enjoys high-level protection in the Federal Republic, and that he had been close to the Foreign Minister Hans Dietrich Genscher.

To understand more clearly the very close connection between the gang of Arsan and the highest levels of the Scottish Rite, it is necessary to direct our attention to the dirty activities centered over the past 15 years (at least) around the port of Leghorn in the Tuscany region. A large part of Arsan's weapons were smuggled through this port. "Behind Arsan,

Gelli Emerges," recently headlined the Italian press; "From the Port of Leghorn, Weapons to the Whole World." The traffic of Arsan in the Tuscany region was well protected by the P-2 umbrella. The Italian authorities have proved that Arsan used an export company of Leghorn owned by Maurizio Bruni, member of the P-2 lodge. Another top P-2 member recently indicted for illegal smuggling of weapons is Alessandro Del Bene, also an owner of an import company in Leghorn and very close to Licio Gelli. Some of the weapons shipped by the Arsan/P-2 network from Leghorn ended up in the hands of terrorists. Well known is the case of Lauro Azzolini, a Red brigader arrested in possession of a gun traced back to a stock of weapons shipped to the Middle East from Leghorn by the weapons-exporter Eugenio Sacchi on behalf of Arsan. The company of Del Bene smuggled highly sophisticated military material through a British firm, the Independent Trading Company, based in Jersey.

Tuscany is the Italian region where the roots of the Scottish Rite are deepest. The first Italian masonic lodge was created in Florence in 1733; two hundred and forty years later, the Grand Lodge of London recognized the Italian Grand Orient. To celebrate that event, two of the most important leaders of the Grand Lodge came to Tuscany. The visit took place in 1973, and the prestigious delegation included the Grand Secretary, James Stubbs, and the President, Jeremy Pemberton. The two represented the highest degrees of the Scottish Rite immediately after the Grand Master, the Duke of Kent.

Stubbs and Pemberton met the political leadership of Tuscany, especially the Socialist Party. In particular, they had a cordial meeting with the president of the region, the Socialist Lelio Lagorio, the present Italian Defense Minister, whose name has already appeared in the press for his connections (never fully clarified) with Red Brigades leader Giovanni Senzani.

The two bosses of the Grand Lodge had been guests during their stay in Tuscany at Alessandro Del Bene's house. In late January 1983, Licio Gelli, his son Raffaele, and Alessandro Del Bene were indicted by Judge Pierluigi Vigna for illegal weapons trafficking.

The oligarchical hard core

Above and behind the networks we have briefly identified, there is a much more powerful and older structure, the Families. These are Families whose power and assets encompass every institution, agency, and secret service without respecting any "geopolitical border." The existence of this structure often constitutes an insuperable obstacle to investigations. Often the well-intentioned investigator or magistrate cannot even identify the head of the octopus.

There are several leads around the "Bulgarian connection" which go directly into this structure. What emerges most prominently is the former Italian royal family, the House of Savoy. The so-called crown prince, Victor Emmanuel, was a member of the P-2 lodge; he was even considered by

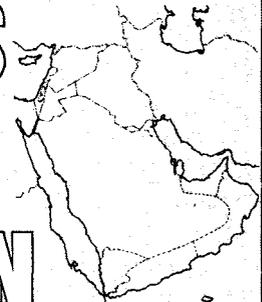
Gelli and the P-2 leadership as "Victor Emmanuel IV," new king of Italy! There are letters written by Gelli to former King Umberto, in which the Venerable Master made clear that his aim was to restore the monarchy in Italy to "save" it from chaos, corruption, and terrorism—the chaos, corruption, and terrorism that the Gelli lodge was pushing to destabilize republican institutions.

One of the collaborators of Arsan, arms-industrialist Renato Gamba, arrested by Judge Palermo, was allegedly the lover of Gabriella of Savoy, Victor Emmanuel's sister. Gamba was a close friend of Victor Emmanuel, who has been himself accused several times of arms smuggling, above all to Iran. Gamba was arrested together with the German-American Reginald Allas (who was known because he used to introduce himself with a letter of presentation demonstrating his good relations with U.S. Vice-President George Bush) and Francesco Dalla Zorza, leading field executive for Bernie Cornfeld's IOS gigantic financial swindle. Dalla Zorza and Cornfeld were and still are very close business and personal associates of Victor Emmanuel.

There is another leading European oligarchic family whose name had been mentioned by several sources in the context of the investigations, a name that has never appeared in the press in connection with the attempt against the Pope: Thurn und Taxis. According to these sources, the mafia boss Bekir Celenk had a bank account at the Bayerisch Vereinsbank, one of the most important banks of Bavaria. According to the sources, behind this bank is Prince Johannes Thurn und Taxis, of the ancient family of Italian origin that used to head the intelligence of the Serenissima Repubblica of Venice. Prince Johannes Thurn und Taxis claims today to be the richest man in the world. It seems that through the Bayerisch Vereinsbank, 3 million deutschemarks had been paid to Ali Agca as a contract to kill the Pope. The Italian magistracy is investigating the Munich Bank and its London branch, the United Bank of Bavaria. Although asked to give documentation on the movement of its checks over the last period, the bank refused, claiming this would take too much time because the bank does not have a computer system!

There is a link between the two attempts against the Pope which is under scrutiny by several journalists and researchers. Both the attempts in 1981 and 1982 took place on May 13, Fatima Day, opening up room for a wave of irrationalism on the so-called Third Secret of Fatima. The killer who tried to get the Pope in Fatima in 1982 is a former Spanish priest called Juan Fernández Krohn. Krohn was a follower of the arch-feudalist Bishop Marcel Lefebvre, run by the networks of Rome "black" noblewoman, Princess Elvira Pallavicini. The Thurn und Taxis family is one of the most important sponsors, together with the former Portuguese royal family, Braganza, of the Fatima cult and of the parallel fundamentalist organization, Tradition, Family and Property, founded by a German priest with the aid of two Braganza princes. The Thurn und Taxis are also supporters of the Lefebvrian networks.

ANGLO-SOVIET DESIGNS ON THE ARABIAN PENINSULA



EIR has just released a new Special Report on "**Anglo-Soviet Designs on the Arabian Peninsula.**" The report is the companion to the "**Prospects for Instability in the Arabian Gulf,**" an invaluable counterintelligence manual.

"**Anglo-Soviet Designs on the Arabian Peninsula**" looks at the prospects of a decline of U.S. influence in the Middle East. It evaluates the impact of the international global monetary crisis on the Arab oil producers of the Gulf. The role of Secretary of State George Shultz and of the Morgan banking group in squeezing additional funds from Saudi Arabia for a purported global bailout of the banking system is fully developed.

The report details evidence of increased Soviet presence in the region, and the cooperation between London and factions of the Soviet leadership to gain dominance over the Gulf states. The final section examines the potential for a "new Yalta Conference" on world energy supplies, at which the Middle East would be carved up between East and West.

Anglo-Soviet Designs on the Arabian Peninsula \$250

Prospects for Instability in the Persian Gulf \$250

Colombia averts coup threat

The popular President Betancur has survived a military challenge, but the drive to eliminate him continues.

Earlier this month, Colombian President Belisario Betancur underwent the first serious challenge to his short-lived administration from the Colombian military. He survived, but the threat remains.

Betancur has pinned his presidency on a two-fold initiative of achieving economic and social stability at home, and establishing a leadership role for Colombia within the developing sector. Both initiatives are under attack.

Vital to the success of Betancur's strategy is the amnesty for guerrillas, which the President himself has nurtured into existence. The amnesty is designed to bring an end to the "undeclared civil war" in the countryside between the large land and cattle owners, and the peasantry and their guerrilla defense squads.

The stumbling block to the amnesty has been the MAS death squad, which since its inception a year ago has acted as a Murder, Inc. for wiping out trade unionists, leftists, university professors, and "subversion" generally. The guerrillas have refused to lay down their arms until the government can guarantee that the MAS will not murder them.

On Jan. 29, Betancur's attorney general was scheduled to release the results of a months-long investigation by his office which promised to lay bare the notorious ties between the military and the death squad. The military hierarchy succeeded in postponing the report's release by 1) holding a prominently covered meeting with the powerful cattlemen's association,

believed to make up the "cadre" of the MAS apparatus, in which its vigilante pursuits were openly encouraged, and 2) claiming that Armed Forces Commander Gustavo Matamoros's home had been the target of a guerrilla attack. Both moves were widely viewed as explicit coup threats.

Betancur responded on three fronts. He sent three trusted associates, members of the "Peace Commission" in charge of negotiating the guerrilla amnesty, to hold a pow-wow with the top three leaders of the mass-based FARC guerrilla movement. A joint communiqué was signed between the government envoys and the guerrilla chiefs, stating a shared commitment to "a new coexistence and national peace," but agreeing that the guerrillas had the right to demand protection for their lives under the amnesty.

Betancur's second move was to order the release of the Attorney General's report, which acknowledged that members of the military were in fact working with the MAS, but which diplomatically asserted that these were degenerate individuals collaborating with a criminal cause, and did not represent the armed forces as an institution. The report called on the armed forces to purge themselves of such elements.

Betancur issued a response to the Attorney General's report in which he pledged to investigate the military, if necessary.

Thirdly, Betancur convoked an emergency meeting of the National

Defense Council, made up of his cabinet and the military hierarchy. When the meeting ended, Armed Forces commander Matamoros emerged to inform the press that the amnesty had *not* failed, that a state of siege would *not* be declared, and that, the report of a guerrilla assault on his house was a lie! Defense Minister Landazabal, leading opponent of Betancur's amnesty, had given the press that story.

Betancur appears to have maneuvered the crisis to his advantage, with political figures of all persuasions coming forward to praise the Attorney General's report and express renewed faith in the amnesty. But the danger persists.

A number of developments suggest that the military challenge was part of a broader move to keep all of Latin America on the ropes during the upcoming Non-Aligned summit in New Delhi.

Trilateral Commission head David Rockefeller made a well-publicized stopover in Bogotá last month as part of a continental tour he shared with his colleague Henry Kissinger. He met briefly with President Betancur, and later emerged to inform the press that he was not there to pressure Colombia against joining the Non-Aligned. U.S. Air Force Commander Charles Gabriel suddenly arrived in Bogotá around the same time, his first visit to Latin America. He met separately and secretly with both President Betancur and with Defense Minister Landazabal.

And in early February, at the height of the military-government crisis, Rand Corporation "terrorism expert" Brian Michael Jenkins appeared in Bogotá to give forums and interviews recommending a form of "restricted democracy." Rand Corporation has been affiliated with the U.S. Air Force since its inception.

The Gulf war and oil prices

The last resort London and its friends have to maintain control over the oil price decline, is to expand the Persian Gulf war.

The midnight oil is burning in the boardrooms of certain multinational oil companies over fears that the decline in oil prices may get out of their control. No where has this concern been more evident than at British Petroleum and its little sister, the British National Oil Corporation (BNOC).

London is worried about possible activation of a Saudi contingency plan to flood world oil markets with oil at a price as low as \$20 a barrel in order to regain Saudi control of the world market (see article, page 4). Should Riyadh exercise this option, it would bankrupt overnight the entire British North Sea venture which only became profitable after the 1974 quadrupling of oil prices. London's plan to develop more North Sea crude is based on an oil price not one penny less than \$25.

An oil consultant who advises OPEC now reports London is "using Iran against Saudi Arabia" in order to prevent Riyadh from taking any "rash action on oil prices." Just returned from London, he revealed that two weeks ago, Iranian officials, led by the powerful speaker of parliament, Ayatollah Hashemi Rafsanjani, made a secret trip to London to confer with British intelligence officials at a military base.

Since then Iran has launched a new offensive against Iraq, and has sent delegations to the five small emirates which border Saudi Arabia to threaten that if they support Iraq in any way, Iran will take action against them.

French intelligence sources emphasize that the two-year-old Gulf war

has entered a critical phase; and that this time around, Iran may be prepared to bomb a Gulf oil installation. "All it takes is one cargo of spare parts for Iran's F-4s or F-16s," the source reports, "and the Iranians just might try a hit on an Arab oilfield across the Gulf."

More than any other Western country, France has become the leading supplier of sophisticated arms to Iraq. Paris insists that such weapons as Exocet missiles and the Mirage F-1 fighter are only for defensive purposes, and that Iraq is not about to pursue Iran's oil installations for fear of retaliation against the Gulf states.

Iran appears to be testing the waters for a future adventure against Saudi Arabia or one of its oil exporting neighbors. William Quandt of the Brookings Institute reports that an Iranian fighter "strayed into Saudi airspace" recently and was detected by the AWACS stationed along the Gulf.

On the surface, Saudi Arabia is responding by playing its predictable conservative game of oil politics. Saudi Oil Minister Zaki Yamani made a visit to Lagos, Nigeria, on Feb. 7, where he reportedly reached agreement on an OPEC price drop of \$4 a barrel. The next day the Libyan oil minister arrived in Riyadh, for further discussions on the difficult task of arriving at a formula for limiting OPEC production through member production quotas in order to keep the price from sliding as it has so many times over the past two years.

But, on Feb. 10 Yamani gave an interview in which he affirmed for the first time that there is "no way out of a price reduction." Yamani issued a veiled threat to Iran for its refusal to fall in line behind the \$30 a barrel deal. He stated "a price cut is inevitable, and if no decision is taken by OPEC, the matter will be left to its members, who will behave as they want—and there will be chaos." The Iranian Oil Ministry then responded by rejecting the Saudi plan to lower its price.

Yamani knows there is no way OPEC can enforce production limits on its economically strapped members. Incentives for tougher Saudi actions are mounting. Outside London, other oil giants recognize that their long-term investments in such exotic projects as Arctic oil cannot be maintained if the price of oil continues to collapse. British and other multinationals want a short-term price decline to \$25 a barrel, followed by higher prices around the corner. Concomitant with moves by these forces to bring the price down, word is already spreading through the oil industry that an imminent catastrophe in the Middle East will disrupt Arab oil flows and reverse the price collapse. This is precisely what the Iran revolution accomplished in 1978, following a decline in world consumption and prices in the aftermath of the 1974 oil-price hoax.

Speaking in Houston Feb. 2, Standard Oil of Indiana chairman John Swearingen predicted new chaos in the Mideast and a likely cutoff of U.S. Arab imports. A week later Charles Di Bona, the head of the American Petroleum Institute, told the *New York Journal of Commerce* that "tumult" in the Middle East would reverse the depressed oil markets; and on Feb. 9, Exxon vice-president Weldon Kruger delivered a speech in New York on "conflicts and tensions in the Middle East" and energy resources.

Wharton goes for the kill

Mexico specialists at the Malthusian economics center want the government to go to the IMF . . . again.

A group of econometricians from the Philadelphia-based Wharton School of Economics descended on this country the last week of January to discuss their latest quarterly forecast for the Mexican economy. Leading the team was 1981 Nobel Prize laureate Lawrence Klein.

Such a visit is not good news for Mexico. Wharton's Mexico economic studies group (Diemex) has won a reputation as the most dedicated "theoretical" opponent of the 1976-82 López Portillo administration's oil-based industrialization projects. Wharton's forecasts are known here as nothing but apocalyptic warnings of an Iranian-style revolution if this country continues its modernization drive.

Wharton in fact is nothing but a British intelligence outpost on American soil; *EIR* has abundantly documented the school's origins as an American branch of the London-based Tavistock Institute of psychological warfare, the mother institution for zero-growth, neo-Malthusian propaganda around the world since World War II.

"Mexico has been ruining their economy and ours," Prof. Lawrence Klein of Wharton told an interviewer last month. López Portillo "went somewhat wild. All along we told Mexico not to become another Iran with too rapid industrialization, but they wouldn't listen." Now, Klein insists, Mexico has no other option than to "comply with IMF

conditionalities."

Wharton's latest forecast, which got coverage here in the Feb. 8-14 issue of the Club of Rome-linked *Razonos* magazine, is nothing but a warning to the Mexican government not to break with the politically and economically devastating conditionalities imposed by the International Monetary Fund since last September.

The Wharton crowd is very confident that Mexico has relinquished its economic sovereignty for good. "We have our people in the Planning Ministry, and the new government is much more receptive," says Klein. More specifically, Wharton claims to own Planning and Budget Secretary Carlos Salinas de Gortari, and his Undersecretary for Planning, Rogelio Montemayor. Wharton's anti-industrial perspective in the Planning Ministry (SPP) was most recently spelled out by Salinas de Gortari last month when he called for the creation of 100,000 "pick and shovel" labor-intensive jobs in the countryside. Salinas's motto: "Let's put more labor in every peso."

While Montemayor takes care of economic planning, Salinas's Undersecretary for Social Projects, Manuel Camacho (a former collaborator of the magazine *Razonos*), applies Tavistockian psywar methods to organize the population around de-industrialization projects. Camacho is an adherent of "integral rural development," a labor-intensive development model created by Eric Miller, a Tavistock Institute "sociologist" with valuable con-

nections in Mexican government agencies.

Wharton is known to be working with London intelligence circles on propaganda scenarios aimed at aggravating the international economic crisis which pushed Mexico toward the IMF in the first place. A Klein collaborator bragged to *EIR* Feb. 7 that he worked closely with the London *Economist* on a recent article egging on the drop in world oil prices.

Titled "Cheaper Oil Makes Ya Strong," the Jan. 29 article called on buyers to destroy OPEC by buying "oil in the cheapest market to bring the price further down." "The IMF should in such new circumstances lend Mexico more money, under the same strict terms as before," says the *Economist*.

Wharton is now busily working on a study describing the different degrees of suffering Mexico, Venezuela, Nigeria, and other oil-producing countries will go through under such price declines.

According to a Diemex econometrician, their new forecast is based on the assumption that average oil prices will drop by \$6 a barrel. Asked on Feb. 8 about any possibility that Mexico would turn the tables by joining a "debtors' cartel," he offered his guarantee that "Mexico will not be part of this."

Asked about the consequences if London were to lose control of its oil-price war and prices went even further down, he declared, "Even if the price of oil dropped \$12 per barrel, the Mexicans would not break from the Fund—if anything, that would drive Mexico even further into the arms of the IMF."

The econometrician added, "We project a huge loss of foreign-exchange earnings for Mexico. At least one devaluation would be necessary. The dosage of austerity would have to be far stronger."

International Intelligence

India Tavistock exposé: model for Non-Aligned

Dr. Gordon Lawrence, London Tavistock Institute "case officer" for the nation of India, told investigators Feb. 10 that he is "paranoid" following Indian press exposés in late 1982 exposing his role as an "agent of Tavistock" sent to India to spread the line that "India was going to collapse by the year 2000."

Lawrence told investigators that his brainwashing work in India was impeded by exposés in the *Statesman* of Calcutta and other newspapers of his Tavistock connection and his links to foreign intelligence services. Lawrence complained that the Soviet news agency Tass had put out a special wire on his activities as well.

Lawrence's assessment that India would collapse and that most Indians are "insane" had been featured in a mid-1982 feature in the Indian newsweekly *New Wave*.

The Indian press exposés on Lawrence are the first known case of a developing-sector country identifying the Tavistock Institute, based in Sussex, England, as a source of destabilizing activities against it.

Press whores target Mitterrand's security

The security of French President François Mitterrand is in jeopardy, partly due to a series of press attacks against the special security agency, the GIGN, charged with the President's security.

The GIGN (Groupe d'Intervention de la Gendarmerie Nationale) provided the intelligence that led to the Jan. 25 police raid on a Paris suburb apartment used as a safehouse for weapons by Ahmed Ben Bella, the former President of Algeria who heads a terrorist capability currently aimed against Mitterrand and Egyptian President Hosni Mubarak.

The GIGN, according to the French daily *Le Figaro*, is investigating the international connections into the Corsican and Occitan separatist movements, which have declared war on the Mitterrand government. It is known that most of these groups are run

through Genoud's Nazi International with additional input from the Hitler-loving Muammar Qaddafi of Libya.

In a press campaign led by the liberal Paris daily *Le Monde*, the GIGN is being charged with fabricating evidence against terrorist suspects, with stepping on the "turf" of other national police agencies, and similar flimsy charges. The charge that most reveals what Mitterrand's enemies fear is the complaint that the GIGN has developed its own international intelligence network, which bypasses regular channels.

Barbie trial threatens British-KGB-Nazi link

Some of the dirtiest intelligence-cum-murder networks in the world are extremely disturbed about the upcoming trial of Nazi Klaus Barbie in France. Exposure of a new layer of the "live" collaboration between British intelligence, KGB networks, and the still-existing Nazi international could result from the trial of the man who ran the Gestapo in Lyons during the Nazi occupation.

The trepidation—and others' anticipation—revolves around the knowledge that certain British, OSS, and Soviet intelligence networks cooperated to wipe out independent Gaullist and Communist leaders of the World War II anti-Nazi Resistance—such as the famed Jean Moulin, who was betrayed to Barbie in 1943 and subsequently tortured to death.

The man who gave Barbie information on Moulin's whereabouts, René Hardy, was an explosives expert working for the British-run Resistance group of Henry Frenay, who had just been delivered millions of dollars from Allen Dulles's OSS in Geneva, and at the same time was pushing "communist revolution" in occupied France—as Moulin told Charles de Gaulle shortly before Moulin's death.

Barbie, also held responsible for the death of 10,000 Jews in Lyons, was recently extradited from Bolivia as part of the crackdown by the Siles Zuazo government there on the internationally supported cocaine networks which used to run Bolivia.

The British would like to turn the case to their advantage with the exposure of CIA (OSS)-Nazi links, and have launched a press

blitz to that effect. But they themselves are vulnerable on the flank of current British-Andropov connections. If all the stops are pulled in the prosecution of Barbie, one winner would be the Mitterrand government of France.

Club of Life to meet in Venezuela

Venezuelan publisher Miguel Angel Capriles, the owner of two afternoon Caracas dailies and several other publications, will be a featured speaker at the Feb. 23 Club of Life conference in that city. Capriles gained wide recognition throughout Ibero-American capitals for his strong defense of Argentina and his anti-British journalism during the Malvinas war last year, and he quickly developed an affinity for Lyndon LaRouche's "debt bomb" proposal. In recent weeks, the Capriles paper *El Mundo* has featured front-page coverage of LaRouche statements and the Club of Life.

Also speaking at the meeting will be Leonardo Montiel Ortega, a prominent economist and politician known for his attacks against the IMF; Juan José Monsant, the international affairs director of the ruling Copei party; and Capt. Gonzalo Gómez, the chairman of the Nuclear Society of Venezuela. They will be joined by *EIR* Ibero-America Editor Dennis Small.

Lord Carver doesn't like beam weapons

The summary response of the former head of the Imperial Defense Forces of the United Kingdom, Lord Carver, to *EIR* founder Lyndon LaRouche's campaign for crash development of energy-beam anti-missile systems was that "This idea is madness!" That was the response when *EIR* brought the subject up with him during a rather short discussion on Feb. 3. Asked how this could be squared with his recent "peace"-promoting activities, the man who persuaded the United States to take on the Vietnam War hung up the phone.

Field Marshal Carver is a leading pur-

Briefly

veyor of Club of Rome/British royal family influence in military circles. He participated in a conference at the Aspen Institute's Wye Plantation in Maryland in January which was held to provide advance publicity for the soon-to-be-released European Security Study (ESECS). The ESECS group wants a massive conventional arms buildup in Western Europe, and was initiated by the late Carroll Wilson of MIT, a founder of the Club of Rome.

Lord Carver's alleged links to the Soviet KGB have been the subject of much speculation recently. Also of interest is his involvement in the "U.S.S.R.-Scottish Friendship Society." Under the Society's auspices, Carver has been able to travel to Moscow frequently for a close look at the attitudes and plans of the Soviet General Staff.

Why Vienna's Kreisky has dirty fingers

There is a particular significance to Austrian Chancellor Bruno Kreisky's warning, made during a *Washington Post* interview, that the West faces mass upheavals worse than those of 1968: The headquarters for the destabilizations which Kreisky termed "a threat to the Western democracies" is Kreisky's Vienna.

The organizing center for the planned wave of anti-nuclear demonstrations, according to sources in the peace movement, is the two-year-old "Vienna Peace Group" of the Austrian Society for North-South Questions. The group was spun off from a project of the Young Socialists of Kreisky's own SPOE party, the Vienna *Extrablatt* publication.

The group set up the meetings between Libyan maniac Muammar Qaddafi and the West German environmentalist "greenies" last year, and appears to be the coordinating center for an array of Mediterranean/North African "leftist" activities—including work with the governments of Greece and Kuwait, and Algerian terrorist controller Ahmed Ben Bella.

The Vienna Peace Group is active on the "ethnic separatist movement" front, and is known to be in contact with two extremist

groupings in Spain—the terrorist CANT (Comité Anti-Nuclear) and the Esquadrillo de la Izquierda, both of which overlap with the Basque separatist ETA, as well as Andalusian and Catalan separatists. The Vienna group also is in touch with separatist groups in northern France, the Tyrol region, and "Wendland" in the West German state of lower Saxony.

Old Nazis promote European ethnic strife

Islamic fundamentalists, old Nazis, and opportunistic politicians in Western Europe are unleashing a vicious round of racial conflict, under tinderbox conditions created by rising unemployment.

France's Renault and Citroën auto plants, which employ a high proportion of Muslim immigrant workers, have been the scenes of bloody confrontations during a current strike. In the Federal Republic of Germany, amid the 50th anniversary of Hitler's rise to power, the media have begun to hype tensions between the Christian Germans and the millions of Muslim Turkish "guestworkers." The speaker of the Iranian Parliament, Hashemi Rafsanjani, declared in an interview to the French newspaper *Le Matin* on Feb. 5 that the violence in France's auto plants shows that "the idea of Islam has influenced the Muslim workers. The export of revolution, that's what it is."

In West Germany, where the latest official statistics show unemployment at the highest level since 1949, the Christian Democratic government has introduced legislation to refuse immigration to every member of a Turkish family over the age of six, while encouraging German industries to pay bonuses to Turkish workers who agree to return to Turkey "voluntarily."

Turkish Foreign Minister Turkmen visited Bonn in early February to complain about such measures, and met a decidedly frosty response.

The press is building up the climate for race riots. The "establishment" daily *Frankfurter Allgemeine Zeitung*, for example, ran a full-page article decrying the "waves of people from Asia" that are allegedly inundating German society.

● **NIGERIA'S** troubles originated in part with "foreigners"—but not the ones who were expelled from the country. Ghanaian Foreign Minister Jerry Hanson and Libya's Qaddafi have been manipulating the foreign worker situation in Nigeria for years. Their friends in the Nigerian foreign ministry diverted the investigation into a campaign against "foreigners" in general. But the hysteria and Hanson in particular, are being run from London's Tavistock-affiliated Institute of Race Relations, with help from World Health Organization tribal profiler Dr. T. A. Lambo of Nigeria.

● **FRANZ-JOSEF STRAUSS** called SPD chancellor candidate Hans-Jochen Vogel a *Wandervogel* (wandering bird—a reference to the young nature-cultists of Weimar Germany), and lambasted the SPD's prospective coalition partners, the Greens. Ignoring the world economic breakdown, Strauss used his Christian Social Union Party keynote speech in Bavaria to blame the West German economic crisis on 13 years of SPD rule.

● **JO LEINEN**, a West German ecologist who has threatened to make that country "ungovernable," now says that Third World development is impossible until elites there are destroyed, and that "it may well be that the process of general pauperization has to go even further to provoke the change needed." Leinen is part of a North-South "Task Force on World Conservation Strategy" which is seeking the U.N.'s blessing.

● **OLOF PALME** has suddenly decided to carry out the protocols of a 1974 trade deal between Sweden and Libya which includes the export of military and advanced nuclear reprocessing technologies. The daily *Expressen* ran a Feb. 9 feature conveying the opposition's concern that the move will help Qaddafi build an atomic bomb.

What Anglo-Swiss agents have in store for the U.S.

by Nora Hamerman and Graham Lowry

Bill Bradley, the senior Democratic U.S. Senator from New Jersey, is leading a pack of traitors in the U.S. Congress under orders from the Anglo-Swiss banking oligarchy to destroy the U.S. banking system, slash the federal budget to below subsistence levels of the economy, and put the signature of the Congress on a huge bailout package to the International Monetary Fund—as its last sovereign act before turning over national credit policy fully to the Federal Reserve under a new “world central bank.”

The orders were handed down the last week of January at the annual meeting of the European Management Forum in Davos, Switzerland, which Bradley attended.

Freshly back from his Swiss “rinse,” Bradley testified before a hearing Feb. 1 sponsored by Republican Sen. Charles Mathias of Maryland that his greatest fear was the possibility of a “debtors’ cartel” by developing-sector nations. Not accidentally, his attack was on the precise term National Democratic Policy Committee leader Lyndon LaRouche has coined to refer to the political alliance that could finally implement the anti-colonialist program envisioned by President Franklin Roosevelt at the close of World War II.

Bradley said: “My worst fear is that we do nothing, and that in four or five years some bright young diplomats from 10 to 15 of these countries will get together and form a debtors’ cartel. We have to act preemptively to prevent that kind of power from resting in the hands of *who knows what kind of people* [emphasis added].” As preemptive action, Bradley proposed increasing the quota of U.S. contributions

to the International Monetary Fund, greater “international cooperation,” and “recycling” international debt.

Then, word leaked out Feb. 10 that Bradley, working in tandem with Brooklyn, N. Y. Democratic Rep. Charles Schumer, was pushing legislation that will force U.S. banks to write off some of their loans to developing countries, as a “condition” of congressional support for the IMF quota increase.

As an aide to the House Banking Committee admitted, this provision gives the liberal Bradley and other Harrimanite Democrats promoting the IMF quota increase an “anti-bank” cover to assuage populist rage about a bailout of banks when thousands of American farms, industries, and jobs are going under daily without federal relief. The irony is that this “anti-bank” maneuver, by targeting the American banking system, would accomplish another of the stated goals of the Anglo-Swiss financiers.

The Bradley-Schumer legislation, according to the aide, is the route to establishing a global central bank. He said that this would be in line with proposals by the Vienna-born author of New York City’s Municipal Assistance Corporation (Big MAC), Felix Rohatyn, to apply on a world scale the austerity cure that has made New York into an international scandal of urban decay. And exactly as the congressional bailout for New York was sold in the 1970s, “The idea is to put it [the Bradley bill] through as anti-bank legislation.”

The bill will also be pushed by House Banking Committee chairman Fernand St. Germain, Democrat of Rhode Is-

land, who has made it clear that he intends to hold up the IMF quota increase for a guarantee that tighter "discipline" be imposed on U.S. banks.

But the intent goes further. The legislation is designed to make the Federal Reserve the ultimate guarantor of the restructured debt, and thus eliminate any authority of Congress over future Fed bailouts for such debts.

The loyalties of Bill Bradley

Exactly one year ago, citizens of the declining industrial state of New Jersey got a rude awakening when former Rhodes Scholar Bill Bradley stabbed his benefactor and fellow New Jersey Senator, Harrison Williams, in the back. Williams, a 23-year veteran of the Senate, represented the old guard of constituency-based, organized labor-linked "FDR-style" politicians in the Democratic Party. He was framed up by the Jimmy Carter Justice Department in the unconstitutional Abscam witchhunt and charged with "predisposition to commit a crime."

Not only did Bradley refuse to defend Williams. He became an active participant in the shameful spectacle by which the innocent Senator was driven out of the U.S. Senate in what LaRouche's National Democratic Policy Committee exposed as an effort to destroy U.S. constitutional rule, orchestrated by the British oligarchy through such agents as Sen. Malcolm Wallop of Wyoming, a cousin of the Queen of England.

Particularly members of the labor movement who had mobilized in Williams's defense began to understand what "loyalty" means to a Rhodes Scholar. Bradley's grant to study at Oxford was established by British white-race supremacist Sir Cecil Rhodes for the stated purpose of making the former colony in North America provide the muscle for world Anglo-Saxon rule. As in the Williams case, Bradley is finding himself pitted against a constitutionalist opposition led by the National Democratic Policy Committee.

The NDPC has been collecting signatures on a resolution demanding that Congress reject the IMF bailout and immediately put on its agenda LaRouche's alternative proposal for a gold-backed new monetary system in alliance with the emerging "debtors' cartel."

Enough heat has been generated that in speeches before the House Banking Committee Feb. 8, several Democratic Congressmen were vowing that they would never support an increase in the U.S. quota. Bradley and others have thus been put in the position of draping their treachery in the robes of "opposition" to the IMF.

No longer a secret

"Scholar" Bradley is not known for the originality of his ideas. For some months, *EIR* has warned of a secretive conspiracy centered around the City of London and the Zürich "gnomes" to get the U.S. Congress and President to cut the budget by some \$80 billion and turn over what remains of

economic sovereignty to the IMF and the private Swiss-based Bank for International Settlements. As of Feb. 7, the conspiracy was no longer secret.

On that day, the *Daily Telegraph* of London reported the circulation of an internal IMF staff memo calling the U.S. budget deficit the "greatest threat" to the rest of the world. IMF sources confirmed that the document says there is to be "no recovery" in the United States—although the entire pretext for the IMF bailout plan has been based on the lie of a "modest" U.S. recovery in 1983.

In an article datelined Feb. 9 in the twice-weekly U.S. newspaper *New Solidarity*, Kathy Burdman reported that the head of the IMF Financial Studies Division outlined the budget cuts in the IMF's secret memo as follows:

1) There must be a "large decrease" in U.S. industrial investment (which fell some \$60 billion last year). If this is done, entire sections of U.S. industry will shut down as whole areas of auto and steel have already done, throwing millions more out of work.

2) There must be a doubling of the proposed cut in the Defense Budget for 1983 compared to the previous plans for the 1983 budget, or a cut of some \$36 billion. It is only high levels of defense spending, which at least create orders for high-technology machinery, which have kept entire segments of U.S. industry functioning during the last three months.

3) Social Security must be cut "at least" as proposed by the Greenspan Commission on Social Security, which proposes a \$5 billion cut in Social Security payments in 1983. IMF sources indicated that they want much bigger cuts than that, but that it may be too late in the 1983 fiscal year to get them.

A banking source at Chase Manhattan added to this that the IMF and bankers want the third-year tax decrease due in June to be deferred, raising taxes some \$32 billion.

This adds up to close to \$80 billion in budget cuts and tax increases, on top of the proposed cut in investment funds for industry.

IMF officials say the aim is to keep the U.S. permanently in a deliberate recession. The author of the IMF's secret memo is quoted by *New Solidarity*: "For this to work, there must be no credit in the economy for anything at all but the budget. It can continue, as long as the U.S. economy remains very, very weak," the IMF man stated. "If you tell me the U.S. private sector is going to have any new demands for funds, I would laugh. U.S. industry will not be getting much in the way of new funds.

The IMF has also commissioned Paul Volcker's Federal Reserve to do a study, "The Natural Rate of Unemployment," aimed at finishing off the pathetic U.S. trade union movement, by reopening contracts in industry and demanding large wage give-backs, in order to "cut American's consumption as far as possible," as a Federal Reserve economist put it.

NDPC changes shape of national politics

by Patricia Salisbury

Last month former Democratic presidential candidate Lyndon LaRouche put out a call to build a new political movement in the United States to change the course of American economic and foreign policy in a matter of months. Addressing 300 farm leaders on Jan. 8 at an rally of the American Agriculture Movement in Nashville, Tennessee, the *EIR* founder advised the farmers that if they wanted to end the crisis facing the nation, they must run for every public office available, and in so doing, organize the entire population around the fight for "New World Economic Order."

Spokesmen for the National Democratic Policy Committee, the 20,000-member political action committee which LaRouche founded in 1980, have announced that the NDPC will back thousand of candidates in municipal, state, and other elections throughout the United States in 1983. Already, NDPC candidates have announced for over 100 races in 12 states, including virtually every major mayoral race in 1983, and the important race for Governor of Mississippi. An NDPC candidate even jumped into the special congressional election that opened in Texas when Rep. Phil Gramm announced his resignation in December. In many instances, the NDPC candidates are entirely new to politics; they are farmers, engineers, industrial workers, and housewives, who are entering the political arena not simply to win office, but to fundamentally transform American politics.

Such a candidate is Mississippi-farmer Billy Davis, who startled the state press corps by announcing his candidacy for the Democratic Party nomination for governor. In a statement carried by an Associated Press wire throughout the state, Davis explained his reasons for running as follows:

"Born in Jasper County, Mississippi of an agricultural background, educated in the schools of this state, I had chosen to spend the remaining years of my life as a Mississippi farmer, a way of life which is very dear to me. . . .

"We in Mississippi are a proud people, though often to our own detriment. Truly among the ordinary citizens of this state, there lies an undeniable sense of morality that in this hour must be brought forward in unison above all petty self-interests and indulgences. . . ."

Davis told the press of his recognition, as early as 1974, that the farm sector of the United States was being destroyed, and his search for an economic model to provide the basis for the recovery of all sectors of the economy. To his surprise,

he explained, he found that the dirigist Japanese economic policy revived in the late 1940s by Gen. Douglas MacArthur was really the American economic system designed by Alexander Hamilton in the 1790s.

Since his announcement, Davis has stumped the state calling for Mississippi voters to rally around the "Japanese model," and urging the establishment of a Third National Bank of the United States based on the Hamiltonian principles of expanding high-technology productive investment. He cites as examples such projects as the Mississippi-based Tennessee-Tombigbee Waterway project, and the Grand Gulf nuclear power plant at Vicksburg.

At every campaign stop, the Davis entourage has visited the offices of local Congressmen to warn against voting for an International Monetary Fund bailout.

"Tell the Congressman that if he votes for the bailout, he better not return to Mississippi!" has been the Davis message.

With the Mississippi primary scheduled for September, the Davis campaign is still in the early stages. Davis campaign coordinators, however, have already reported interest from the black community leadership of the state, a sector that would combine powerfully with Davis's farmer constituency.

The willingness of LaRouche Democrats like Billy Davis to respond so quickly to the call to run for office is explained, in part, by their perception that the economic problems facing the United States stem from a global depression, threatening the very existence of humanity with genocide on an unparalleled scale. LaRouche has warned that the worldwide financial collapse that is probable for the spring of 1983 could become irreversible, and has insisted that the policy changes, which can rescue the world economy must be in place long before the presidential election in 1984. The political movement the NDPC campaigns are creating is built on a program of *linking the millions of jobless skilled workers and idled industrial capacity of the developed sector, with the pressing need for industrial development of the Third World*. The LaRouche program calls for the establishment of a new monetary system to replace the bankrupt Bretton Woods system.

While many of the NDPC-backed candidates for the 1983 round of elections are political novices, the LaRouche program proved to have extraordinary power to draw votes in the 1982 elections. In Pennsylvania, New York, Maryland, and Minnesota, LaRouche Democrats polled between 20 and 40 percent of the vote in primary elections running against the official Democratic Party apparatus, by bringing into motion a rapidly expanding grass-roots political machine. In several states, this machine came close to major upsets. Now the NDPC has set its sights higher, as the political climate of the country heats up, in anticipation of the 1984 presidential race.

West Coast: the high technology states

On the West Coast, the area of the country with the most intensive high technology base, the NDPC is fielding its most

in-depth slate of candidates. To date, NDPC candidates have announced for mayoral races in San Diego and San Francisco, and for dozens of city council and school-board races. In Anchorage, Benjamin Oksotarak, who is of Eskimo descent, has announced his campaign for Anchorage Municipal Assembly.

The NDPC slate for the Seattle City Council has drawn considerable attention from the Northwest area press. On Dec. 22, the *Seattle Times* noted the entry of the seven NDPC-backed candidates into the race, with the headline "Slate of City Council Candidates Makes 'Space Beam' the Issue," a reference to the candidates' announcement that they would raise the issue of national defense in the municipal elections.

The NDPC is currently educating the population behind LaRouche's and Dr. Edward Teller's respective calls for the development of a space based anti-ballistic missile system. Such a system would give the U.S.A. the defensive capability of shooting down nuclear armed missiles in midflight. The first test of strength will be the San Diego mayoral primary in March, where NDPC-backed George Hollis has announced.

In mid-January, the 10,000 member California NDPC flexed its muscle by running California State Central Committee member Ruth Stephenson for the chairmanship of the State Democratic Party. Stephenson's race put the NDPC in direct confrontation with the corrupt official party leadership of California-based DNC chairman Charles Manatt. The result was a brawl on the floor of the convention, with the Manatt forces resorting to dirty tricks not seen since the Mississippi Freedom delegation's fight for black representation in the Democratic Party in the mid-1960s. Despite this, a Stephenson-sponsored resolution—calling for the party to support the Non-Aligned Nations, scheduled to meet in New Delhi in March, in their quest for a just New World Economic Order based upon collective debt moratoria—was approved by 300 of the 1,200 delegates and was officially placed on the convention agenda. The resolution was tabled by the official party leadership on the sole grounds that it was inspired by Lyndon LaRouche.

The East Coast campaign to save the cities

On the highly urbanized East Coast, where cities have been devastated by the collapse of the world economy, the NDPC is developing a field of candidates—from Boston to Baltimore—that will soon rival its West Coast slate in depth. Candidates have been entered in the races for mayor in Boston, Baltimore, and Philadelphia, and scores of NDPC candidates have announced campaigns for county supervisor, city council, school board, and town supervisor.

The slate of candidates for the New Jersey local elections has drawn particular interest from the press in a state where the Democratic Party has been unmoored by the withdrawal of Ted Kennedy from the 1984 presidential race. The New Jersey *Passaic Herald News* Feb. 3 reported the entry of six NDPC candidates into the race for the state legislature, and noted that NDPC spokesmen planned "thousands of cam-

paigns" throughout the country. The campaigns, the paper reported, were being run to stop the U.S. Congress from surrendering to the international bankers, who are trying to force the U.S. to pick up a \$500 billion dollar tab for bad debts, and to organize the U.S. population in support of a debtors' cartel of Third World nations. The question of the IMF bailout could prove particularly explosive in New Jersey, currently represented by U.S. Sen. Bill Bradley, an outspoken advocate of the bailout policy. Bradley, who recently returned from a secretive meeting of international bankers in Davos, Switzerland, is up for reelection in 1984.

NDPC-backed candidate for state legislature Elliot Greenspan, addressed the meeting of the New Jersey State Democratic Party Executive Committee Jan. 26. Greenspan offered a resolution putting the New Jersey party on record as condemning the activities of DNC Chairman Charles Manatt in blocking discussion of the "New World Economic Order" in the California party convention. Greenspan's resolution, which he motivated with the observation, "If we don't act now, we won't have country in 1984," was remanded to the agenda committee for consideration.

Steve Douglas, who drew 35 percent of the vote in Philadelphia in a race for governor in the 1982 Democratic Party primary, announced on Dec. 23 that he would run for the Democratic Party nomination for mayor against former Philadelphia Mayor Frank Rizzo and former Philadelphia Managing Director W. Wilson Goode. Jumping the gun on both of his opponents, Douglas has already moved to dominate the race with a half-hour prime time network television broadcast, which will feature Douglas and Lyndon H. LaRouche. In the soon to be shown broadcast, Douglas defines the issue in the mayoral race as the domination of both of his opponents by the Wharton School of Finance and Commerce, which has developed elaborate plans for the de-industrialization of Philadelphia and other cities, including Paris and Mexico City. The grass-roots machine that Douglas began to build in his race for governor is now active throughout the city distributing hundreds of thousands of "Douglas for Mayor" leaflets and organizing house meetings for the candidate. At the initiating meeting, a telegram signed by 50 black, white, and Hispanic grass-roots organizers, was sent to Indian Prime Minister Indira Gandhi, who will host the March Non-Aligned Nations summit, urging her to fight for the New World Economic Order policy at the meeting.

In Baltimore, an equally powerful campaign is promised with the announcement for city council president by Debra Hanania Freeman, who drew 20 percent of the vote in a congressional race against Barbara Mikulski in 1982.

Midwest: the U.S. industrial heartland

The NDPC campaigns in the Midwest are spearheaded by the race for the Democratic Party nomination for mayor of Chicago by Sheila Jones, who is running in a Feb. 22 primary. Jones, who challenged "Global 2000" supporter, Rep. Sidney Yates in the November Democratic primary, is

heading a slate which includes six candidates for Chicago alderman. None of the other candidates, which include machine politician Richard Daley Jr., Rep. Howard Washington, and incumbent Mayor Jane Byrne, have programs for reversing the destruction of Chicago's heavy industry. The de-industrialization of Chicago has been engineered out of the University of Chicago, home base for leading architect of Third World genocide, Milton Friedman, the economist who destroyed the economy of every country he ever "advised."

The NDPC has also announced the campaign of prominent Flint, Michigan attorney Max Dean for chairman of the Michigan Democratic Party, and has just completed a campaign for the chairmanship of the South Dakota Democratic Party, where NDPC-backed trade unionist Dennis Murphy addressed the state convention.

Southwest: no 'free enterprise'

The NDPC campaign effort for the Southwest was initiated in January when nuclear engineer George Chamberlain announced his campaign for Congress in Texas's 6th C.D., only days after Rep. Phil Gramm initiated a special election with his announcement that he was switching from the Democratic to the Republican Party. On Feb. 5, Chamberlain reserved a half an hour of local television time to address the voters of the district with Lyndon LaRouche. In his address, Chamberlain charged that Gramm is a puppet of the British-dominated Mont Pelerin Society, and detailed how that group is trying to engineer the biggest financial collapse in history.

Chamberlain's address was filmed at a Jan. 31 fundraiser for the candidate, which was attended by 55 supporters, including four leaders from the American Agriculture Movement, and a large number of Chamberlain's co-workers at the Comanche Peak nuclear power plant. Chamberlain hit at the need for ordinary citizens to involve themselves in politics. "We have been so busy and blinded by our daily lives that we have let the party go to the kooks and nuts," he said. "Every time an office is up for grabs, run for it. . . . We can retake the party and bring back forces in Texas like Sam Rayburn and those behind the rural electrification project."

Chamberlain's approach is proving powerful in a district dominated by aerospace and defense workers and progress-oriented farmers. In response to his demand that Gramm face the issues, the head of the largest Veteran of Foreign Wars Post in the district has invited Gramm and Chamberlain to debate. Gramm has refused the invitation, a decision not likely to sit well with his constituents.

Chamberlain has announced that following the Feb. 12 primary, he plans to lead a delegation from Texas to the Washington D.C. Club of Life conference—the international organization founded by Lyndon and Helga Zepp LaRouche to fight for the "New World Economic Order." Chamberlain told his supporters that he would lead this delegation either as their Congressman or as a constituency leader.

How the McNamara antiballistic missile

by Robert Gallagher

In July 1962, the U.S. Army anti-ballistic-missile (ABM) program staged a "contest" between its Nike-Zeus ABM missile system and the most advanced existing intercontinental ballistic missile (ICBM), the U.S. Air Force's Atlas. The Nike-Zeus won the contest hands down. In the succeeding months, successful tests under even more difficult conditions followed. But U.S. Secretary of Defense Robert Strange McNamara moved to terminate the Nike-Zeus program.

Prior to McNamara's tenure as Secretary of Defense, the United States had parallel development programs in both offensive and defensive strategic weapons. It would be no great exaggeration to say that as fast as the Air Force developed new, more destructive, more powerful ICBMs, the Army developed the systems to knock out their offensive warheads.

Early ABM work extended into areas beyond missile systems as well. In January 1958, President Eisenhower's Secretary of Defense Neil McElroy—in the same policy memorandum that established the Army as the service with the mission of ABM development—chartered the newly formed Defense Advanced Research Projects Agency (DARPA) with the responsibility to develop ABM technologies. DARPA was to support and back up the Army program, and at the same time investigate non-missile technologies with which to kill ICBM warheads. DARPA's Project Defender researched the use of plasmas, lasers, x-rays, and solid material impact as techniques for space-based ABM systems as early as 1961.

Results of deterrence

None of these programs yielded a deployed ABM system armed to defend American citizens from nuclear attack. The Safeguard ABM system, deployed in 1975 and mothballed the same year, would have only defended the North Dakota Minuteman sites.

Today, there is no weapon system capable of preventing

faction wrecked U.S. defense capability

Soviet ICBMs from striking and obliterating any urban or industrial target in the United States. The Soviet Union, on the other hand, has a well-maintained, advanced ABM system deployed around Moscow, an elaborate civil defense program, and a lead of at least five years on the United States in the development of technologies for beam weapon ABMs.

The major U.S. policy initiatives in this area over the past 20 years have been the negotiation of two treaties to confound the development of systems of defense against ICBMs in either country—the Partial Nuclear Test Ban Treaty (1963) and the SALT I ABM treaty, negotiated by President Nixon's National Security Adviser and then-Secretary of State, the perverted Henry Kissinger.

Kissinger's own self-defense for this policy—made before a congressional committee in 1979—is a good start for understanding how this state of affairs developed:

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

"When the administration with which I was connected sought to implement an anti-ballistic missile program inherited from our predecessors, it became the subject of the most violent attacks from the theory that it was destabilizing, provocative, and an obstacle to arms control . . . because opponents of ballistic missile defense (BMD) saw in the strategic vulnerability of the U.S. a positive asset."

Perhaps only more amazing than Kissinger's statement is the fact that many Americans hold as popular gospel the fiction that ABM development is "an obstacle to peace." From 1967 to 1972, many Americans expressed outrage over

planned ABM deployment near their cities.

This insane, lemming-like behavior is not simply to be written off as the result of intensive, well-financed organizing by the former government officials who led the anti-ABM movement. A population that had capitulated morally during the Joe McCarthy period was open to any arguments that defense policy must "play by the rules of the game"—for this is the psychological essence of the doctrine of deterrence, the incompetent (British) doctrine that warfare must proceed by rules, that the ICBM is an "ultimate weapon," that the first principle of military strategy is that the threat of massive nuclear retaliation is sufficient to deter enemy nuclear attack.

'Go conventional'

Sotto voce, Kissinger and McNamara continue: the threat of massive retaliation is a "military asset," the nuclear umbrella under which Anglo-American policy can proceed with impunity to dominate and loot Europe and the developing sector and conduct wars against populations.

By 1962, McNamara had established a command structure to support a million troops in Vietnam. He openly counterposed ABM development against the conduct of the Vietnam war. In 1966, he told journalist Stewart Aslop that his research and development priorities were as follows: "Number one—R&D in Vietnam. Number two—assured penetration [of the Soviet Union by U.S. ICBMs in the event of war]. Number three—ABM."

The more successful the Army ABM program, the more McNamara waged a relentless campaign to kill or divert it.

The Army had begun ABM work in 1944 following intelligence reports that the Nazis were developing an ICBM. The Nike-Zeus program got underway in 1955. By 1960, the Nike-Zeus system employed of a three-stage missile directed by two radars. One radar performed target selection and launched the missile towards the incoming ICBM warhead. The second radar controlled firing the third stage for course correction as the missile bore down on the target for kill.

In the two succeeding years, the Army achieved breakthrough after breakthrough in mastering the technological problems of ABM development, such as the need to distinguish decoys from real warheads, and the development of phased-array radar. Prior to McNamara, ABM had received opposition from the Rand Corporation and the Rand-dominated U.S. Air Force as well as the then-existent gaggle of science advisers from the "flat earth" school of physics based at MIT. With McNamara, these forces had the power to kill the program.

In 1961, McNamara deferred production and deployment of the Nike-Zeus and downgraded it to a mere research and development program—at a time when it was known that the Soviets were producing an ABM system for deployment around Moscow.

Prior to the successful July 1962 Nike-Zeus kill against an Atlas ICBM, McNamara issued a directive restricting

public reporting on the test, on the grounds that publication must not reflect adversely upon the capabilities of the Air Force's Atlas. Following the Army's success, he downgraded the program to an investigation of the radar signatures of the warheads and decoys, an R&D program for offensive weapons. Finally, in 1967, when he could no longer contain support for the more advanced Nike-X system, he approved deployment of an ABM system, but only after dissolving the Nike-X and establishing Sentinel, a new program under separate management within the Army. Then just before leaving office, he released a fake intelligence report that the Chinese ICBM program—the threat he had assigned Sentinel to defend against—was farther from deployment than originally thought and that therefore Sentinel was unnecessary.

Treaty ban on ABM testing

More important than any administrative action, in the year after the Cuban missile crisis, McNamara pushed for the negotiation and signing of the Partial Nuclear Test Ban Treaty of 1963 that prohibits all nuclear testing in the atmosphere. This piece of deception was aimed at defensive, not offensive weapons.

The Nike-Zeus and all ABM systems developed to date are nuclear-armed. They achieve neutralization of incoming warheads either by physical destruction, or by the effects of the electromagnetic pulse (EMP) of x-rays and other radiation from detonation of their ABM warheads. With the second means, they are effective at considerable distance and disarm incoming warheads in a manner quite similar to beam weapons.

However, the potent EMP of the ABM interferes with the system's own ground-based radar that must, in a real engagement, direct other ABM missiles against other incoming warheads. Testing nuclear explosions in the atmosphere was thus absolutely critical to working the bugs out of such a defensive system. McNamara prevented that with the Test Ban Treaty.

Dr. Edward Teller attacked the Treaty, arguing that it would stimulate, rather than prevent, an arms race, since it was directed against knowledge.

The Soviets readily signed this treaty, as they did the SALT I ABM pact since it was to their advantage: they were behind the United States in offensive ICBMs and in ABM technology: both treaties gave them the breathing room to build up their ICBM force without the threat of a huge American ABM effort.

The signing of the Test Ban was followed by an offensive arms race in which the United States developed multiple independently-targetable re-entry vehicles (MIRVs) for ICBM warheads—the ability to hit several cities with warheads from a single missile—and the Soviets developed ICBMs of increasing destructive capability.

Army resistance movement

The McNamara campaign against ABM did not go un-

opposed. The Army emerged as a vocal opponent to the doctrine of deterrence. As Secretary of the Army, Wilbur Brucker told a congressional committee in 1960, "The Army has never subscribed to the theory that the ICBM is or will be the ultimate weapon."

In 1967, Army Chief of Staff Gen. Earle Wheeler struck right at deterrence in telling Congress, "Should the Soviets come to believe that their ballistic missile defense, coupled with a nuclear attack on the United States, would limit damage to the Soviet Union to a level acceptable to them. . . . Our forces would no longer deter. The first principle of our security would be gone."

Heeding such counsel, Congress authorized funds for ABM production and deployment each year of McNamara's tenure. He countered by refusing to spend the funds.

Throughout his campaign against the ABM, McNamara deployed a stable of "scientists" to justify his attack on the program. This group included members or descendants of the same flat-earth school of science that maintained in the early 1950s that no one could ever build a rocket powerful enough to throw an H-bomb 8000 miles, and that therefore an ICBM was impossible! With this record, they then held that "what goes up must come down," that defense against ICBMs was impossible.

Since many of these same persons are public spokesmen now against beam weapons, we present the leadership of the anti-ABM movement of 1967-72 here: George Kistiakowsky, James Killian, and Jerome Wiesner, all science advisers to Presidents Eisenhower and Kennedy; Herbert York, director of Defense Research and Engineering, 1958-61; Jack Ruina and George Rathgens, director and chief scientist of DARPA, respectively, in the Kennedy administration; Richard Garwin, presently at I.B.M. Corporation.

With McNamara out in front, these persons are now spokesmen for the "nuclear freeze," whose named targets include President Reagan's stepped-up commitments to the Army's current ABM program, the Low-Altitude Defense System (LoADS), and DARPA's space-based beam weapon program.

This history reflects poorly upon the Heritage Foundation/High Frontier proposal for assembling off-the-shelf technology into a layered missile-only ABM system and for displacing beam weapon development many decades into the future. Since 1961, the U.S. ABM research and development program has been underfunded, restricted by treaties, and sabotaged by executive policies. The Soviet Union has since caught up with and then surpassed the United States in both offensive and defensive strategic systems. Under these conditions, the only "technological end-run" possible is the development of the most advanced technology for defense in a crash beam weapon program. Off-the-shelf technology is out of date. The irony of High Frontier's proposal for a space-based conventional missile ABM is that it would only be defensible by laser battlestations.

Reversing the decline in U.S. science policy

The following statement, titled "Stop sabotage of White House commitment to energy-beam ballistic missile defense technologies," was issued by the Fusion Energy Foundation in New York on Feb. 9. The FEF is now carrying out a nationwide campaign to "convince and educate the American public on the tremendous potentials of directed-energy beam technologies, and reawaken the American 'technological optimism' killed by decades of fear of Mutually Assured Destruction [MAD]."

Fusion Energy Foundation Board of Directors member Lyndon H. LaRouche, Jr. wrote nine months ago, "The national security, indeed existence, of the United States depends on the decision to be made in 1983 on the development of weapons capable of destroying nuclear-armed ballistic missiles in flight—a directed energy beam weapon."

On the budget chopping block today, with President Reagan under intense pressure from supranational monetary agencies and their backers, and from the "Andropov-Harriman" networks push to force a disarmament policy on the White House, are not only defensive beam weapons, but also all of the nation's advanced science programs.

The next few weeks will determine a course, either toward a high-technology beam-weapons development approach to war-avoidance, advocated by LaRouche, the Fusion Energy Foundation, and by the campaign of Dr. Edward Teller; or with the Harriman-McNamara conventional war buildup approach, put forward by the Soviets in their support for the "nuclear freeze" movement.

Organizing support for the same conventional buildup and abandonment of the nuclear technology research and development essential to ABM protection, is the Heritage Foundation, which is conduiting the "stop beam-weapons" campaign of British Intelligence and KGB assets directly into the administration with assistance of Presidential Science Advisor Dr. George Keyworth. The recent Heritage Foundation "Agenda '83" defense-policy document calls for emphasis on a conventional arms buildup and omits any mention of even the "High Frontier" ABM program Heritage previously promoted.

Defense Daily for Jan. 27 cites LaRouche on this threat: "At a news conference recently, LaRouche claimed that the pro-defense Heritage Foundation is trying to kill all budget

items relevant to the development of space-based defensive weapons."

The budget sabotage

Here are the immediate results of compromise with supranational pressure and administration "submarines" on crucial science-defense issues:

- The Department of Defense budget for beam weapons has stopped growing. Programs devoted to directed energy beam development have received nominal increases only equal to current inflation rates. These budgets are currently estimated to be one-fifth of Soviet expenditures on beam weapons.

- The requests by Lawrence Livermore National Laboratory for increased funding for the advanced space-based ABM system, the "x-ray laser," have been killed, according to reliable sources; again the policy mediation of Keyworth and the Heritage Foundation.

- The Department of Energy's policy on fusion development has been restructured onto a "track" which cannot, and is not intended, to develop a commercial prototype fusion reactor by the end of the century, as mandated by the 1980 Magnetic Fusion Energy Engineering Act. The DOE now aims for commercial fusion in the year 2050—fifty years behind schedule. The FY 1984 magnetic fusion budget has been cut in constant dollars.

- In addition, the U.S. laser fusion budget has been cut by 20 percent in absolute dollars.

- The announced budget abandons the Clinch River Breeder Reactor and the next generation of advanced fission reactors to "private enterprise."

These cuts constitute a forced compromise with the nuclear freeze of Robert Strange McNamara, et al., a movement deliberately launched to destabilize the President and former Chancellor Helmut Schmidt. As Dr. Edward Teller stated to the National Press Club Oct. 26, "If the freeze prevails, and we don't submit [to the Soviets], then nuclear war will become likely."

The entire crash effort to develop space-based beam weapons and associated space stations and ABM capabilities, proposed by LaRouche and popularized by the Fusion Energy Foundation, would incur *no net cost* to the U.S. economy, as a special study conducted by FEF shows. The implementation of this "science driver" for the economy would immediately spur new investment in frontier technologies throughout U.S. industry, increasing both productivity and skilled employment and creating new wealth far exceeding total government spending on such a program—as was proven case for NASA's Project Apollo. The computer-based economic forecasting tool developed by the FEF and *Executive Intelligence Review* and used for this study of the impact of beam-weapons—the LaRouche-Riemann economic model—has produced the only accurate published economic forecasts for the U.S. economy since 1979.

Senator D'Amato hits CIA on "Bulgarian connection"

Senator Alphonse D'Amato (R-N.Y.) charged the Central Intelligence Agency (CIA) on Feb. 7 with deliberately discouraging Italian investigations into the Bulgarian, and possible Soviet, "connection" to the May 13, 1981 attempted assassination of the Pope. D'Amato was in Rome as a member of the Helsinki Commission on Human Rights.

D'Amato's charges that the CIA's efforts were "shockingly inept," and that the agency had failed to pursue an investigation into the shooting of Pope John Paul II by the Turkish black terrorist Mehmet Ali Agca, echoed charges made several weeks ago by William Safire of the *New York Times*.

The New York Senator took care to praise Italian Magistrate Ilario Martella, who heads the investigation of the attempted assassination, saying that in his impression, "the Italian investigators are not chasing illusory theories. . . the Bulgarian connection is well grounded in fact, and they have information in their possession which establishes it." Magistrate Martella, however, refused to discuss any of the evidence with D'Amato.

D'Amato complained that the CIA did not reveal any secrets to him either.

TASS, the official Soviet news agency, on Feb. 7 accused the White House of attempting to derail U.S.-Soviet arms talks by "stirring up" allegations that Bulgaria was involved in the shooting of the Pope.

TASS referred to a report on NBC news that Vice-President George Bush had given Italian officials a message from the President encouraging the investigation of Bulgarian involvement in the attempted assassination, even if it led ultimately to the doorstep of Yuri

V. Andropov. Bush and the Italian government have denied that Reagan's message mentioned the shooting.

House re-establishes Select Narcotics Committee

The House of Representatives, amid questions of the effectiveness of the committee's work, voted 290 to 77 Feb. 8 to reauthorize the Select Committee on Narcotics Abuse and Control for two additional years. It was proposed that the committee be expanded from 17 to 25 members. The committee was first authorized in 1976 and has been renewed every two years thereafter.

Objections to the reauthorization came from budget-cutting advocates, for the most part conservative Republicans led by House Minority Whip Trent Lott (R-Miss.), but also from a few more liberal members such as Bill Frenzel (R-Minn.). Lott cited the Committee's lack of legislative power.

In the waning days of the 96th Congress, it was recommended that the committee be established as a permanent special oversight committee on drug abuse and control, complete with the authority of the regular committees, but the House has yet to act on this recommendation. Frenzel objected to the reauthorization on the basis that: "If we want to attack the drug problem we ought to add the three-quarters of a billion dollars to the Justice Department appropriation to fight drugs instead of squandering our resources on a powerless committee."

In defending the committee's accomplishments, acting chairman Rep. Charles Rangel (D-N.Y.) noted that the committee's efforts have included: assisting the standing committees dur-

ing the 98th Congress in changing the Posse Comitatus Act to permit "certain military assistance to civilian drug law enforcement agencies"; supporting the "repeal [of] the Percy Amendment prohibiting the use of U.S. foreign assistance funds to support the herbicidal spraying of paraquat on marijuana crops"; introduction and mobilization of support by committee members for "legislation that would improve criminal forfeiture of drug assets and profits, increase penalties for drug trafficking, and permit the Attorney General to use certain proceeds from narcotics-related forfeitures in drug law enforcement"; and working with foreign countries to help improve the efforts to stem international drug flow.

While many members of the committee have their hearts in the right place, the committee by and large has not made an effort that steps on the toes of the drug lobby. No one on the committee has had the political courage to "name the names" of the major backers of drug traffic, nor has the committee yet held serious hearings on the financial laundering and flow of drug money.

House members balk on IMF quotas

Reflecting constituency pressure that has been mobilized by the National Democratic Policy Committee, Democratic House Banking Committee members showed some resistance to voting up a quota increase for the International Monetary Fund at hearings, continued Feb. 8, on "international finance and the role of the U.S. banks."

Representative Frank Annunzio

(D-Ill.) told witnesses "not to mention Paul Volcker here, because he is an utter failure. . . . Paul Revere had an easy ride compared to what I am going to get, if I vote for [the quota increases]."

The witnesses included some of the nation's largest banks: Chase Manhattan, Citibank, and Bank of America.

Buddy Roemer (D-La.) told the bankers that a "deep, deep resentment hangs heavy over this committee from what you have said here. . . . You want credit overseas when we can't lend at home. . . . You are the oligopolistic masters of interest rates rather than the slaves of interest rates, and you say that high interest rates have helped create the problem. . . . There is resentment because you call this a jobs bill when you resist a drop in interest rates at home. . . . You resist a national banking system yet seem to suggest an international banking system. . . .

"I am not inclined to vote for the IMF increase unless you can give us the economic facts and figures to show that this is a liquidity and not a solvency problem, and until I hear from you the truth that it is a bailout. . . ."

Maryland Democrat Parren Mitchell stated that he "would not support any substantial increase, and will in fact argue against an increase of the magnitude of 50 percent, unless you can produce a document that seriously delineates that this will work." Mitchell, who noted that he had always previously supported these international institutions without question, was one of the committee members who stated that there was a long-term solvency problem for the debtor nations.

Other committee members agreed that they were opposed to the IMF

quota increase unless it could be demonstrated that the debt problem was a short-term liquidity problem rather than a long-term solvency problem. One asked how the Citibank representative had the audacity to call the IMF vote support for a "jobs program" when the IMF was demanding that countries cut their imports, a measure which would force American industry to cut production.

Chase Manhattan's Bill Ogden was ridiculed for first admitting that the world was in the current debt crisis because "no one" predicted the depth and extent of the current collapse, and then claiming that the IMF increase would avoid a crisis. Ogden was forced to admit that "if you project the decade of the 1980s as one of no growth, then we are in a completely different situation . . . we are in a situation like the 1930s. . . ."

Investigations subcommittee targets mid-Atlantic region

The Senate Permanent Investigations Subcommittee (SPIS) has announced a series of February hearings on organized crime, which have as their apparent objective an Abscam-like tarring of networks throughout the mid-Atlantic region. While the apparent (and perennial) target of SPIS appears to be the Teamsters union, the Reagan administration itself may come under fire as a result of the hearings, which intend to probe organized crime connections into toxic waste dumping—the issue which has embroiled the Environmental Protection Agency in controversy.

SPIS will conduct hearings on Feb. 15, 23, and 24, and members will broadly focus on an examination of

"what organized crime is today," using the mid-Atlantic region (Pennsylvania, Delaware, New Jersey, and Maryland) as a test area of investigation. The Feb. 15 hearings will become a typical SPIS "dog and pony show," looking at the sensational activities of the Pagans motorcycle gang as an example of "non-traditional" organized crime. However, on Feb. 23 and 24, the subcommittee will hear from the Pennsylvania Crime Commission, the Drug Enforcement Agency, and the FBI, among others, to look at "traditional organized crime,"—the mafia. The Gambino family and the Teamsters, particularly in Northern New Jersey, will be targets of the subcommittee.

Organized crime activity in the toxic waste disposal industry in northern New Jersey will cap off the hearings schedule. Committee sources denied that their investigation had any connection to the unfolding controversy in the Environmental Protection Agency, where the administration of the toxic waste "superfund" has resulted in at least one firing, a congressional investigation, and a separation-of-powers controversy.

The administration is being charged with malfeasance in the dispersal of funds in cleaning up toxic wastes, and the sudden emergence of SPIS in investigating organized crime connections to the waste dumping industry suggests a broadening of the controversy.

Committee sources report that the hearings will continue to build a record for Subcommittee ranking Democrat Sam Nunn's (D-Ga.) "labor racketeering" legislation, which would bar union officials from holding union office upon conviction of a crime, rather than upon expiration of the appeals proceeding.

Harrimanite think tank up to no good

The Center for National Policy, a Washington-based think tank created two years ago by the Harrimanite faction of the Democratic Party and now headed by *Global 2000 Report* author Cyrus Vance, is gearing up for a round of activities and meetings over the coming months aimed at influencing Democratic Party and U.S. policy.

The CNP has already initiated what it is calling a major study of U.S. industrial policy, which is supposed to recommend a comprehensive program for the U.S. economy. Heading the big-name group which has signed on for the task are AFL-CIO President Lane Kirkland, New York Big MAC author Felix Rohatyn, and former Du Pont head Irving Shapiro—all of whom have earned well-deserved reputations as die-hard enemies of U.S. economic and technological development.

The center is collaborating with the Friedrich Ebert Stiftung, one of West Germany's leading Socialist International think tanks, to set up a series of meetings to deal with the "common problems" of the European Community and the United States. The first meeting is tentatively scheduled to take place in May in Bonn or Brussels, with a follow-up conference set for the fall in the United States.

Kennedy campaigns at DNC meeting

Senator Edward Kennedy (D-Mass.) gave reason for doubting the sincerity of his claim to have withdrawn from the Democratic Presidential contest in his speech at the meeting of the Democratic National Committee meeting Feb. 5.

"I will never withdraw from the broader and abiding campaign for the vindication of democratic principles," Kennedy said. "I am here to say that I will stand with you for a Democratic Party that takes a stand, not

merely to gain political power, but to regain the best possibilities of our land . . . Let us never lose sight of the summit before us. Let us seek an America where millions will not be abandoned in the valley, and where all our people can have a place on the hill. And from that height, let us strive for a day when we can see a world at peace. That is the hope that endures. I am dedicated to it."

In the midst of these sentiments, Kennedy proposed his program for the nation, which includes partial abortion of the administration's third-year tax cut, and a \$20 billion cut in the military budget. A national development corporation would be set up "to reinvigorate our industrial base, to encourage new endeavors and new technologies," which would be government-financed, with bonds issued for sale to citizens.

According to the press, all the other speeches were so boring that DNC Chairman Charles Manatt had to repeatedly bang his gavel to try to get people to listen to the speakers.

Army announces ballistic missile defense tests

According to a Pentagon release on Feb. 7, the Army announced the initiation of a series of tests of a ballistic missile defense (BMD) based on a new missile interceptor and long-range infrared telescope sensors. The first experiment in the series involved the interception of an ICBM launched from Vandenberg Air Force Base in California by the BMD interceptor launched from the Army's Kwajalein Test Range 4,200 miles out in the Pacific. The interception took place at the midpoint between Vandenberg and Kwajalein, 60 miles above Earth. The accuracy of the long-range infrared telescope is such that non-nuclear warheads are capable of destroying incoming ICBM warheads.

According to Edward Vaughn of the Huntsville, Alabama Army BMD Command, this was the first time that the long-range infrared telescope sensor had been combined with a ballistic missile interceptor. As detailed in 1980 Los Alamos studies, this mid-range BMD system could provide

the basis for an area anti-ballistic-missile system to defend the United States as a whole against ICBM attack. The sensor technology involved is also applicable to more advanced systems based on directed-energy beam weapons. As noted in the Los Alamos studies, the more conventional BMD which these current tests are demonstrating could be fully operational by the mid- to late-1980s, and could be combined with advanced beam-weapon systems as they were developed to give the United States assured survival in the event of nuclear attack.

Shultz shuts down in response to EIR

Secretary of State George Shultz left a stunned Washington press corps in a total uproar by shutting down his briefing at the White House Feb. 11.

Barely ten minutes into a press conference opened by Vice-President George Bush speaking briefly on his just-concluded European tour, Shultz terminated the briefing on his own trip to Asia to cut off *EIR* reporter Stan Ezrol. Citing "Lyndon and Helga LaRouche's Club of Life" demonstration against the Feb. 10 IMF Interim Committee meeting in Washington, Ezrol pointed out that the State Department press office had issued a statement Jan. 27, responding to an earlier *EIR* question, supporting the Ditchley Group's global creditors' cartel.

Shultz interrupted, "Now you're speaking a lingo I don't understand." He became visibly agitated as Ezrol replied, "Do you mean you never heard of the International Monetary Fund? Or the Ditchley Group? Your press office has issued a statement in support of the Ditchley creditors' cartel. Are you saying that you don't know about and don't support that policy?"

In a display of psychological instability surpassing any of the performances by his predecessor Alexander Haig, Shultz said, "I think it's time for me to leave," and bounded from the podium and out the door. Among the shocked White House press corps, ABC-TV's Sam Donaldson asked, "What's going on here? What's wrong? That was a perfect-

ly legitimate question." Trying a joke, he added, "Bechtel has dug many a Ditchley." But after several moments White House spokesman Larry Speakes announced from the podium, "It appears the briefing has ended."

DNC attempts to lock out LaRouche Democrats

A four-day closed-door meeting of the Democratic National Committee in Washington, D.C. on Feb. 5 and 6 was used to win approval for a plan devised by Chairman Charles Manatt, a California banker, to exclude the National Democratic Policy Committee, the fastest-growing political action committee in the United States, and its advisory committee chairman, Lyndon LaRouche, from Democratic electoral politics. NDPC-sponsored candidates have polled 20 to 40 percent of the vote in primaries around the country.

According to sources close to Manatt, the new policies will include a "loyalty oath," a method used in the past to lock out factions in the party. Such an oath would establish a so-called "provability clause" to determine who can run for office as a Democrat. Candidates would have to be sponsored by approved Democratic clubs or organizations. Local party leaders term the proposal completely unworkable.

It is reported that Mike Steed, executive director of the DNC, has been collaborating with leaders of the Republican National Committee, including chairman Richard Richards, on an agreement to lock out all independents in the upcoming elections.

In addition to restricting free elections in the country, the DNC meeting endorsed the nuclear freeze proposal, a policy that further endangers the national security of the United States. The DNC will support the "National Nuclear Freeze Lobbying Days" March 7 and 8, to support the passage of the freeze resolution by Congress. The next step will be "Jobs for Peace Week," April 10 to 16.

Manatt's DNC will then sponsor a "March on Washington for Jobs, Peace, and

Freedom" on Aug. 27.

John Glenn deploys against the debt bomb

Senator John Glenn's recent trip to Ibero-America was aimed entirely at pressuring the debtor countries—especially Mexico, Brazil, and Venezuela—to drop any plans for forming a debtors' cartel, and knuckle under to IMF demands for destroying their economies. According to a well-informed Capitol Hill source, Glenn began every meeting with Ibero-American leaders by demanding to know whether they were preparing the debt bomb.

Glenn, one of the Harrimanite runners in the Democratic presidential campaign for 1984, was primed for his IMF mission by "a whole roomful" of CIA officials and "experts" from George Shultz's State Department. In meetings with Mexican President Miguel de la Madrid, Finance Minister Jesús Silva Herzog, Venezuelan President Herrera Campins, the Brazilian Foreign Minister and central bank head, and other Ibero-American leaders, Glenn followed his attacks on the debtors' cartel by demanding to know what measures they were going to take to meet the IMF's requirements.

According to a source close to Glenn, he was "amazed and dismayed" by responses in Mexico and Venezuela that "they had no intention of meeting the IMF's requirements." Trade unionists he met with "burst out laughing" when asked whether they were preparing to fulfill IMF demands.

Glenn reportedly returned from this deployment "without any real prescriptions" for what should be done, except, of course, to approve the U.S. quota increase for the IMF. "But he knows a long-term alternative is required. The present system just isn't working." To assist Glenn in discovering such "alternatives," his staff has set up a round of briefings from "experts" in international economics. The list is headed by Robert Hormats, the former State Department official who is pushing for IMF rechartering as a global central bank.

● **ADMIRAL BOBBY INMAN**, former head of the National Security Agency and Deputy Director of the CIA, has been named Chief Executive Officer of Microelectronics and Computer Technology Corp (MCC). Funded by the 10 top U.S. computer companies, the firm will seek ways to combat Japanese interests for a larger share of the world market.

● **SENATOR BILL BRADLEY** (D-N.J.), recently returned from a meeting in Davos, Switzerland where he conferred with Swiss banking circles on how to arrange a bailout of the IMF by the U.S. Congress. Shortly afterward, the Swiss bankers moved to expand the hours of legal prostitution in their country by three hours.

● **STARS AND STRIPES**, the U.S. Armed Forces daily, gave prominent coverage to an interview with *EIR* science and counterintelligence experts Dr. Jonathan Tennenbaum and Paul Goldstein on the political role of *EIR* and its founder, Lyndon H. LaRouche, and the importance of a beam-weapons development program for ending nuclear war and restarting the world economy.

● **HANS BETHE**, nuclear physicist and disarmament activist, was quoted in a Feb. 6 *Washington Post* article "If the NATO nations really want to increase their security, they would do better to divert funds from nuclear weapons that could destroy them to conventional weapons that can defend them. Congress should weigh every funding request for nuclear weaponry against what the same money would buy in combat supplies, and the other humdrum needs of a sound and credible defense."

The case of Jacques Freymond

In the course of the past decade, *EIR* has repeatedly documented the ways in which the Bank for International Settlements, the International Monetary Fund, and their satellite commercial banks are instruments of an oligarchy defined by its unbroken commitment to "blood and soil," to the subjugation of "lower races."

A case in point is provided by Swiss banking adviser Jacques Freymond, a founding member of the Club of Rome and former director of the International Red Cross (the special-operations front for the British royal family's Knights of St. John of Jerusalem.) In a discussion at his Geneva headquarters this month, M. Freymond revealed that he has arranged a secret April 29 meeting on policy toward Mexico, to be held either at his base of operations at the International Institute of Higher Studies or at his private Foundation for Applied Negotiations, which trains developing-sector officials. Both institutions are in Geneva.

The subject of the meeting, according to Freymond, is to ensure that the Mexican government is "cold-blooded" enough to carry out the IMF's policy demands. "The political leadership of many developing countries pays too much attention to public opinion and populist demands," he said. Fortunately, he continued, "the leadership in these countries is now in the hands of the heads of the central banks, and of the finance ministers." This he viewed as not fully satisfactory: "If there would be a little more margin of freedom in the financial system, the IMF and the BIS and the Western banks would not have to rely so much on governments' support to impose their policies."

Freymond, who says he is an adviser to Libya's Colonel Qaddafi, was asked about reports in *Le Monde* of cannibalism in Guatemala, with the interviewer noting that Club of Rome founder Aurelio Peccei had termed cannibalism "man's natural condition." Freymond's reply: such "socio-economic phenomena" would soon spread to the south of Mexico.

Freymond intends his April 29 meeting to forge a permanent institution, one "that brings together top-level people who are both operational in their own field and able to think things through over the long term."

"It is Fritz Leutwiler [head of the Swiss central bank and current chief of the BIS] who is pulling the group together with me," he continued. "We want to have a small group that goes beyond the bankers' stopgap arrangements. Bankers are far too optimistic in their view of the problems in the Third World. A debt crash is unavoidable." His view is that the only Third World countries worth the Club of Rome's attention are Mexico and Brazil; the rest will be, in effect, wiped off the map.

Members of the to-be-formed institution include Henry Wallich, deputy chairman of the U.S. Federal Reserve, who is tied to the Propaganda-2 Lodge's Inter-Alpha banking group through his family's banking interests; Prince Raimondo Torre e Tasso, the uncle of West German's Johannes Thurn und Taxis, and a collaborator with Lord Mountbatten of England in launching Club of Rome projects in the early 1970s; Alexander King, co-founder of the Club of Rome on behalf of NATO, a professed saboteur of classical education, and a champion of "the white race" against the non-white populations; Dutch-Swiss operative Nicholas Krul, formerly of the Genevan Lombard Odier bank, an adviser to the Assad brothers of Syria, and a suspect in assassination attempts against *EIR* founder Lyndon H. LaRouche, Jr. and his wife; Claudio Segré, former Lazard Frères investment banker, and co-author of the first Trilateral Commission report on international monetary reform in 1974; and Lord Solly Zuckerman, science adviser to the British royal family, a godfather of the international "peace movement," and a collaborator of King's in setting up the Anglo-Soviet International Institute for Applied Systems Analysis, which has been identified as a conduit for passing confidential data to the Soviet Union.

We will have more to say on this subject in future issues, including intelligence on the origins of Freymond's institute. For the present, we are happy to note that the Club of Life, in its Feb. 18-19 conferences in Europe, Ibero-America, and North America, will plan a concerted strategy against these gentlemen and their idea of "man's natural condition."

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