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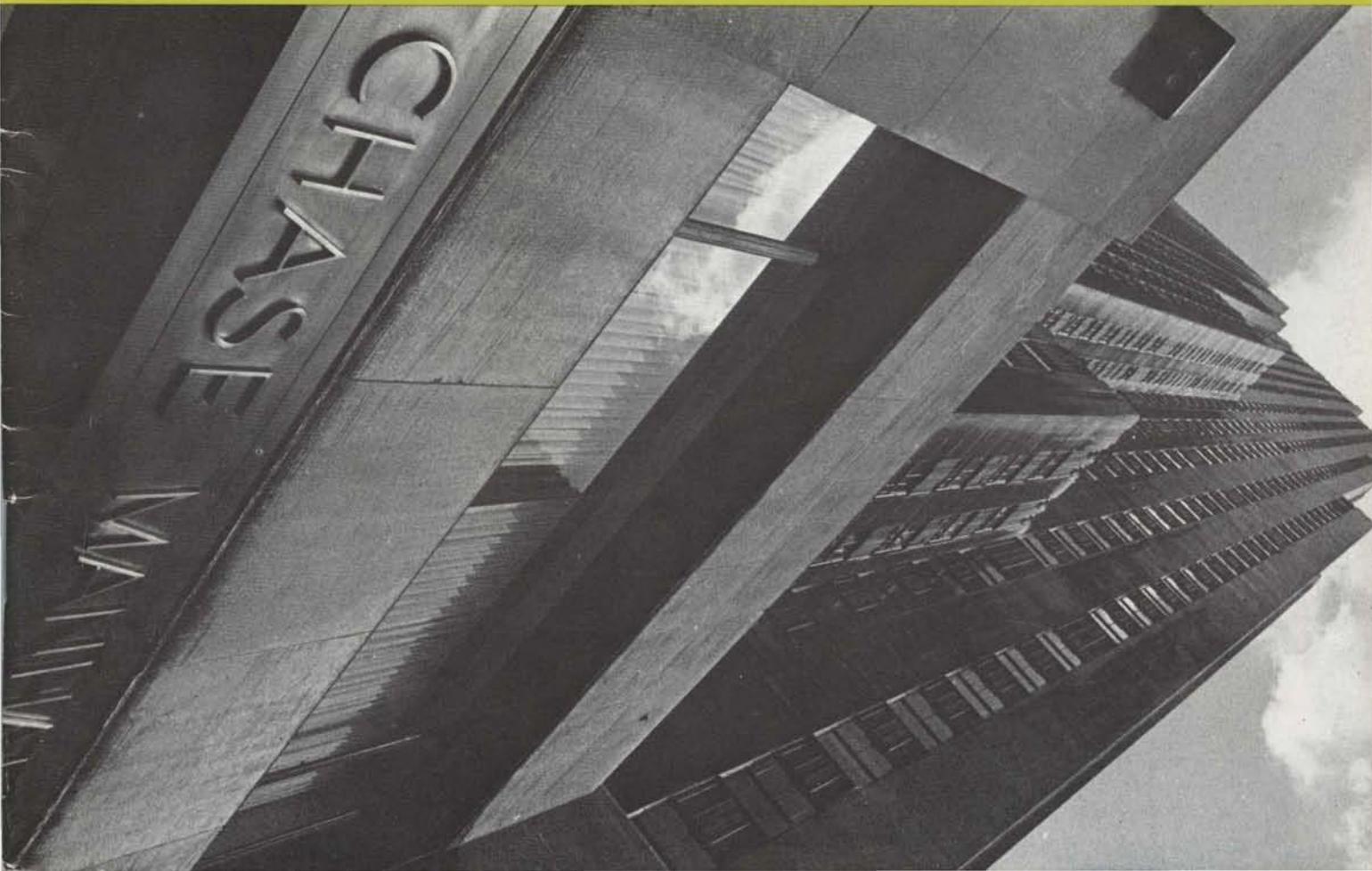
Executive Intelligence Review

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LaRouche's emergency measures to stop depression
Soviets train their sights on West Germany

**World financial system
teeters on the brink**



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EIR

From the Managing Editor

When [Commerce Secretary] Malcolm Baldrige talks about 'less robust' economic growth we are actually talking about a situation which only compares with 1931. It is worthwhile comparing the exact same newspapers not day by day but by blocks of time, and then, my friends, you can in fact re-read history as farce."

The words are those of Lyndon H. LaRouche, Jr., the creator of *EIR*'s famous "LaRouche-Riemann Model," by which *EIR* successfully projected what would happen to the economy for every quarter since the end of 1979, as a consequence of Paul Adolph Volcker's policies. Those were the policies Volcker and his co-thinkers liked to term in the Orwellian manner, "controlled disintegration of the world economy." As if there could be anything but out-of-control disintegration, as our forebears learned way back in the 14th century with the Black Death!

LaRouche made the above cited remarks on May 31 in Los Angeles to a 450-person rally, during his campaign for the Democratic presidential nomination. The collapse is on, as the special 12-page lead section of the Economics Report this week documents.

And the international movement of "LaRouche candidates" for political office in the U.S.A., Mexico, France, Italy, West Germany, and elsewhere, is on the move to deal with that collapse by educating the citizenry of our republics in economic policy of the "American System" tradition. What that means today is LaRouche's unique contribution, in terms of mathematical physics, to a tradition founded on the basis of the 28th verse of Genesis I: "Be fruitful, and multiply, replenish the Earth, and subdue it."

The cover package was pulled together by LaRouche's economics team, David Goldman and Kathy Burdman in New York, Laurent Murawiec in Wiesbaden, and Robyn Quijano for Ibero-America. The Special Report, which complements it, "Stopping the Present Spiral of Worldwide Financial Collapse," is the transcript of the second of LaRouche's three nationwide TV addresses between May 31 and June 2.

Susan Johnson

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NSIPS/Philip Ulanowsky

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Debtors' cartel collapses bankers' political control

by Robyn Quijano

The month of May 1984 ended with the world's financial wizards in a state of uncontrolled panic. On May 11, fifty-three years to the day after the collapse of the Vienna Kreditanstalt bank, the near bankruptcy of the United States' eighth largest bank, Continental Illinois, touched off the banking crisis of 1984. And it took not a single default on the part of an Ibero-American nation.

While the Federal Reserve Board poured unlimited funds behind the failing bank, wholesale dumpings of U.S. securities, stocks and bonds, and bank paper began in Europe, in a wave of liquidation that one London banker claimed contracted the Eurodollar market by \$50 billion.

Then on May 19, the presidents of Mexico, Brazil, Argentina, and Colombia released a declaration simultaneously in their four capitals inviting all of the nations of Ibero-America to participate in an emergency summit to jointly solve the debt problem. The interest hikes of the past two months and prospects of further hikes were particularly assailed. The social cost of the austerity conditions being demanded by the International Monetary Fund (IMF) was deemed intolerable: "We cannot accept such risks indefinitely."

These nations, representing \$231 billion in debt, stated that they would not allow themselves to be "forced into insolvency." The militant tone, which fired away at the creditors for purposefully creating intolerable conditions, sent a quick panic through the international banking community. Mexico and Brazil had rebelled—the nations with the largest populations and the largest economies, the nations which had submitted their economies to an IMF dictatorship designed to wipe out the considerable industrial development these

nations had achieved during the last decade.

The time for concerted action had come. As Lyndon LaRouche had written to his friends in the governments of Ibero-America in his *Operation Juárez* report back in August 1982: "We face a brief interval in history, during which the monetary policies of the postwar world can be reversed. It is a period not unlike the bankruptcy of the Lombards during the 14th century. These evil wretches have brought their own international monetary order into a state of general collapse; so, like the political heirs of Dante Alighieri before us, we must seize this moment of crisis in the enemy's ranks, his moment of gravest, most critical weakness and vulnerability, to destroy him before he is able to consolidate his institutions of world power on a new basis. It is possible to win, if we act quickly, and in concert."

An irrational system

The authors of the debtors' cartel still insist that it is not a cartel, and that they have joined into a common front of debtors to force lower interest rates "in order to pay, not *not* to pay." But it is the fundamental irrationality of the current monetary system, designed to destroy the productive capacity of the developing nations, that those who treasure their national sovereignty are now determined to end. The threat that interest rates could reach 19 or 20%, which could cost Ibero-America over \$24 billion in additional interest costs this year, sent the continent's leaders into their current battle formation.

One European banker privately cried, "the idiots at the IMF and the World Bank got us into this." Headlines blared terror at the potential joint action of the debtors. Everyone



Banks are in a panic over the debtors' cartel and the near-bankruptcy of Continental Illinois bank, America's eighth-largest. Shown is a demonstration by the National Democratic Policy Committee in San Francisco.

NSIPS/Bob Ingraham

agreed that the fuse of the debt bomb was finally lit. While it was an open secret that the Swiss and London Bankers were the instigators of the U.S. banking crisis, now the uncontrollability of the situation began to dawn on everyone. "It's like a mafia hit list," cried one London banker. "Which bank will go next?" Events moved swiftly:

- On May 24, Manufacturers Hanover Trust's certificates of deposit were not being traded any more on the London-based Eurocurrency markets. Tremors of collapse were felt across the Atlantic. Wild rumors began spreading about the vulnerability of Bank of America, Citibank, Chemical Bank, and Irving Trust.

- On May 28, vice chairman of the Federal Reserve Preston Martin tried to calm the market by declaring a policy which a Belgian think-tanker described as "lend, lend boldly, and lend some more."

- On May 29, Bolivian President Hernan Siles Zuazo announced that he had suspended the payment of interest on foreign debt as long as his country's productive machinery was in a state of recession. The powerful Bolivian labor federation had demanded the moratorium as one of the conditions for normalizing the country's economic activities, which had been paralyzed by protests against new and drastic IMF measures imposed on April 12. Bolivia, whose export earnings barely reach \$800 million a year, paid \$650 million in debt service in 1982, and was scheduled to pay \$800 million in 1984.

Bolivia made the decision in the context of its full support for the May 19 debtors' call of the four presidents. While Bolivia holds only \$3.9 billion in debt to the private banks, less than 2%

Siles Zuazo to act for the survival of the nation was read as "dangerous defiance" by the world banking community.

- On May 30 the London Stock exchange began to collapse, losing nearly 40 points in two days. The losses were the worst in 10 years for shares in London.

- The *Financial Times* reported the following day that British banks were worse off than Continental Illinois or Manufacturers Hanover. An article on the Bolivian debt moratorium, "Two U.K. banks head loan exposure," stated that Midland and Lloyds "have a proportionately greater loan exposure to Latin America than any of the large U.S. banks. This finding counters the widely held view that the U.S. banks are the most vulnerable to the Latin American debt crisis."

By month's end the political fiction was over. The bankers' power to dictate the terms of the dismemberment of the economies and nation states of the developing sector was tottering.

Fritz Leutwiler, head of the Swiss central bank and the Bank for International Settlements, famous for his insistence that the IMF's harsh austerity be enforced even in "countries where the standard of living is below the minimum subsistence level," had a change of heart. The *Wall Street Journal* of May 28 reported Leutwiler's statement that it would be "counterproductive" for the United States to pressure Argentina to go to the IMF. The *Journal* attributed his magnanimity to his apparent "fear of an Argentine default."

The old fiction that the bankers held all the cards has been brutally assailed by reality. The *London Times* editorial of May 31, "Can't Pay, Won't Pay: The New Hardline," demonstrates how this reality is sinking in: "In an international

debt crisis, there is always the risk that debtor governments will move from the position where they insist that they cannot meet their obligations . . . to a simple refusal to pay. Bolivia is the first debtor country to do so and Argentina may not be far behind. The lingering fear . . . is that Argentina may infect Brazil and if Brazil succumbs, the system could slide into a financial morass taking banks with it."

The Bank of England, reported the *Daily Telegraph*, "is holding urgent talks with the big four clearing banks to hammer out a new approach to the international debt problem. . . . Parallel talks are believed to be taking place in Washington and New York between representatives of the Fed and leading U.S. banks as well as in Germany and other major countries. Top British bankers believe that an initiative aimed at easing tension by providing interest relief to hard-pressed debtors, particularly in Latin America, could be announced within a fortnight." Bankers have been terrified by "a growing mood of defiance among some debtors, notably Argentina," stated the *Telegraph*.

Defiance or responsibility?

Sebastian Alegrett, the permanent secretary of the Latin American Economic System, was in Mexico during the last week of May, meeting with the finance and foreign ministers to coordinate the debt summit which will take place in Bogotá on June 14 and 15. When asked if the new debtors' pact was a challenge to the big creditors, he replied: "Not for a moment has anyone thought of this joint action as defiance, or any such thing. The action of Latin America is very solid and very responsible. . . . The formation . . . of this common front of Latin American countries, will of course require joint planning to save us from . . . the continuing interest hikes that our nations are not in condition to tolerate."

For the creditor nations, who will be meeting at the London summit of the "big seven" industrialized nations on June 7, "solutions" to the current crisis have to come this week. Japanese Prime Minister Yasuhiro Nakasone promised Brazilian President João Figueiredo, who was in Tokyo on May 27-28, that he would bring the concerns of the Ibero-American presidents to the London summit.

The Federal Reserve's revving up of the printing presses and Fritz Leutwiler's new-found softness on the IMF question are intended in part to bust up the debtors' cartel by wooing Ibero-America's debtors with special deals and threats, forcing a return to "case by case" treatment of the debt.

After the announcement of the debtors' pact, the Ditchley group—the creditors' cartel that had heretofore managed to blackmail the continent into submission—held an emergency session, and bankers, IMF officials, U.S. ambassadors, and European diplomats all made pilgrimages to the presidential palaces of Ibero-America. Argentina's presidential residence, the Pink House in Buenos Aires, has been the scene of frantic visits by the IMF technical team, Citibank Vice-

President William Rhodes, and U.S. Ambassador Frank Ortiz.

But another important visitor was at the Pink House during the last week in May, ex-President Isabel Perón, the leader of the Peronist movement.

It is broadly recognized that the Peronists have a virtual veto power over the economic policy of President Raul Alfonsín, if the nation is to remain governable. Hectic negotiations have taken place in the last days and press reports mooted an imminent deal with the IMF. But by June 1, the fact that Argentina was bargaining from a position of strength became obvious. The *Journal of Commerce* reported on June 1 that the IMF agreement was in "deep trouble." The *Journal* blamed the trade unions, which have "blasted the government several times for trying to reach an accord with the IMF."

The views of Mrs. Perón's advisers on the question of the

Argentine Peronist leader calls for debtors' cartel

One week after Argentina's Oct. 30 presidential elections, Juan Gabriel Labake addressed an open letter to President-Elect Raul Alfonsín. Labake is a leader of the "Orthodoxy and Loyalty" faction of the Peronist Party, which has distinguished itself by calling for Argentina to play a leading role in unifying Ibero-America on financial and economic policies. We publish here excerpts from his letter.

Buenos Aires, November 8, 1983

Dr. Raul Alfonsín
President-Elect of the Nation

Dear Sir:

In my opinion, the Oct. 30 elections were a major triumph for the Argentine people, who thus once again regained their fundamental rights after almost eight years of dictatorial injustice. . . .

The key to Argentina's new place in the world is breaking our dependence on the so-called "Western bloc" in order to return to Latin America's fraternal embrace and gain regional unity and integration. . . .

The foreign debt is the main weapon by which the North Atlantic powers now keep us dependent. . . . However, the moment we unite with our Latin American brother countries to jointly renegotiate our debt, the weapon becomes ours and the problem that of the creditors. The whole world knows this, and our people rightfully want it.

IMF are also out in the public domain. Juan Labake, a member of the liaison committee which attended the meetings between the Mrs. Perón and President Alfonsín, wrote an open letter to Alfonsín after the Peronists lost the election last fall (see box). In the letter he called for unity in the national interest and laid out a program for joint renegotiation of the debt among all of the nations of the continent, and a common market to allow for growth and development. He specifically attacked the IMF and the policy of usury, and its intention "not to collect the debt, but to maintain always a decisive domination over us."

Labake continued: "Needless to say my proposal means finishing off the present international economic system, based on the IMF and the all-embracing power of the private banks. This whole system is on the verge of collapse; it only needs

a little push. The whole world would thank us. What's required is agreement between the governments of nations to which the creditor banks belong and the joint Latin American bloc to lay the new bases of commercial and political relations.

"I understand that we are both under tremendous pressures for us not to take this decisive step. I'm sure they are thinking of giving special advantages to Argentina if we abandon the common Latin American front. But it is worth stressing that the key to our national liberation is not getting a percentage point lower interest or two or three more years to pay, but rather taking advantage of the debt to forge our unity with Latin America and break out of the trap of the IMF and the Bretton Woods system."

This is the new political reality the bankers are facing. The aura of power that kept nations begging for credits that

Latin American unity to renegotiate the debt can be obtained. You could say that the idea has already matured in every brother country on the continent. The idea is also spreading that our nation should take the lead on this issue. If we unite, we can win tolerable conditions for payment. Under present conditions, with seven-year maximum terms and 13.3% interest, no Latin American country, really no Third World country, can even pay interest—even when it complies with the IMF's demands for recession, low wages, and hunger. . . .

The more the debt increases due to unpaid interest and principal, the easier it is to demand new concessions from us each time we must refinance the portions due. The military government found this out when it refinanced the debt of Aerolíneas Argentinas. Who knows what they will demand from us next? What I propose to you, Dr. Alfonsín, is that we Radicals and Peronists join in a patriotic agreement to unite all the Argentine people behind a first indispensable step toward liberation: the joint refinancing by Latin America of all our foreign debts to obtain reasonable conditions that will allow us to pay.

Conditions in tune with the cold reality of our economies are: a nominal term of 20 years with no less than a 5-year grace period, interest set at only 1% higher than U.S. domestic inflation. That is to say, in this year when U.S. inflation will be almost 3%, Latin America would pay no more than 4% interest. I realize that these conditions seem utopian, but they can be obtained, and, besides, we don't have any choice. . . .

It is useful to keep in mind that if we don't get these debt refinancing conditions, many Latin American and Third World nations will suffer from hunger, recession, and unemployment until one declares a cessation of payments and explodes the entire financial and economic system. This scenario is sufficiently probable to make the creditors and the govern-

ments of the Western powers think twice. Our aim is not to stop paying the debt but rather to obtain conditions under which we can actually pay the debt, the real debt of course, without repudiating our fundamental right to fully develop ourselves as a people and a nation. In this way they can collect, but if we go on as we are now, the ship will sink and the crew with it.

This debt action would provide the extraordinary event we need to get moving on the road to Latin American unity and integration and national liberation of our republics. The brotherhood forged between us by joint action on debt would open the door to forming a Latin American Common Market, to creating a regional political body—perhaps an organization of Latin American nations—and even a reciprocal defense treaty for Latin America. . . .

It has been announced that Dr. Raul Prebisch will have a major role in dealing with our foreign debt and directing our economy. If that is true, then we have little hope left of seeing the fulfillment of what I propose here. . . .

He is visibly and forcefully working to impose on the world the so-called "Rohatyn Plan." This plan drawn up by Felix Rohatyn of New York's Lazard Frères investment house calls for forming a new super International Monetary Fund made up of and dominated by the private bank creditors of the Third World countries. This private superbank would take charge of collecting debts and sanctioning those falling behind. It would offer marginally better conditions on terms and interest rates than those today, but always on the basis of squeezing the maximum profit from each country at the price of our suffering unemployment, recession, and hunger. . . .

The Rohatyn model was dreamed up to collect New York City's debt to the banks. Thanks to it New York is paying its debt. Sure it is, but at the price of a drastic reduction in its investments in education, public health, mass transit, and the maintenance of streets and public buildings. . . .

did nothing but extend the life of their loans forever is crumbling.

The Operation Juárez solution

Ibero-American nations have been negotiating for almost two years on the way in which the continent would be integrated to form a world power. At this moment they have managed to shift the balance in their favor in such a way that they now have responsibility for far more than the survival of their nations or even simply the developing sector as a whole. These nations must take responsibility for designing the world monetary system that will replace Bretton Woods and help save Western civilization.

Operation Juárez, the program designed by Lyndon LaRouche for a solution to the crisis that is unfolding today, has been studied by governments on the continent for nearly two years. Since the formation of the debtors' club it has been received with increasing interest, and an "Open Letter to the Presidents of Ibero-America," which backs the presidents' call and details the Operation Juárez program, has been published with endorsements from trade unionists, industrialists, and political figures. A half-page ad appeared in the Venezuelan daily *El Nacional* on May 27, calling on the presidents to implement Operation Juárez now.

Operation Juárez proposes the following ground-rules for debt renegotiation: "We propose to establish a mutually agreed cut-off date for further accrual of existing contracts of indebtedness of Ibero-American republics. After that date, no further interest payments will accrue on those contracts. Effective that same date, each of the debtor nations will deliver to the creditor banks a portfolio of bonds equivalent in total value to the accrued value of the previous debt contracts up to the cut-off date. The old debt is thus 'sold' for new debt. Unfortunately, more or less inevitably some banker of lesser intelligence will howl in protest: 'We are being cheated out of the interest income we would have received under the old contracts.' Such imbecilic gentlemen need to have matters explained to them in very basic terms: 'Try to collect old contracts, and you force us to default, in which case your banks cease to exist.' The advantages of the new arrangement may then begin to be apparent to even the most stupid among New York bankers."

Operation Juárez is based upon the immediate allocation of new credits for big infrastructure projects and the kind of development that will soon allow healthy economies to pay the debt, and will cause an export boom in the advanced sector.

As to the bankers currently hanging off the ledge, Operation Juárez makes the following offer: "We propose to them, to help to save them from bankruptcy, if they will only be collectively reasonable, with suitable help from their federal government." Such help, based on the American System banking principles of Alexander Hamilton and Mathew Carey, is the furthest thing from the "lend, lend, print, print" strategy now being followed by the Herbert Hoover-style imbeciles at the Federal Reserve.

World financial

by Laurent Murawiec

One week has sufficed to turn the pontificating homilies of central bankers, the wizards of international money, into panicked about-faces. The spread of the banking crisis from Continental Illinois and Manufacturers Hanover to the whole top league of U.S. banks, and more recently to the British clearing banks as well as international stock markets, has intellectually devastated and concretely paralyzed the world of the controllers of international money flows, the collective of central bankers arrayed around the Bank for International Settlements.

The sorcerer's apprentices had hitherto been talking of "teaching a lesson to the U.S. banks," and rejoicing privately at the discomfiture of over-confident U.S. bankers, "who have not written off their dubious assets, have not set aside reserves nor prepared themselves for a shock," as the Swiss bankers' newspaper the *Neue Zürcher Zeitung* was writing with typical *Schadenfreude* (rejoicing at another's mishaps). But as of the end of May, a full-fledged panic has erupted in their ranks and those of the commercial bankers of major Western nations, and is raging among institutional and other investors terrified that a 1929- or 1931-style crash is underway.

Manny Hanny left high and dry

On May 24, *EIR* found out that Manufacturers Hanover Trust's certificates of deposit (CDs) were not being traded any more on the London-based eurocurrency markets: The interest-rate penalty the bank would have had to pay was too high. Manny Hanny was being treated by the market as a mere Third World debtor. The disease then spread to other American banks' paper: "Faced with the serious crisis of confidence that affects a growing part of the U.S. banking system, international investors are not inclined to hold dollar-denominated paper," said one source.

"Manufacturers Hanover paper ceased being traded," the *Wall Street Journal* reported. "Most London-based banks and brokerage houses simply stopped making a market in the U.S. banks' short-term securities . . . there is no market because there are no buyers." A London broker added that "American banks just don't dare to offer their paper for sale for fear of being snubbed, which would make the matters worse."

Flight into "quality" increased, as investors switched out of bank paper (bank shares, notes, bonds, CDs, and deposits) and rushed headlong into Treasury securities. A growing gap

crisis panics central banks

opened between the yields offered on bank and treasury paper, which reached the unprecedented level of 1.5%.

In Frankfurt, a director of a powerful private bank explained: "We take the crisis damn seriously. We've written off everything we conceivably could have, but what use is it, if the U.S. banks topple, we'll go down with them? . . . This being said, we're quietly cutting down our credit lines to *all* American banks. Nothing hectic, that would create too much of a panic." In Paris, a banker said that as soon as the wires reported the Manny Hanny problems, his house canceled its credit lines to the bank. "Did you not fear to precipitate a general banking crisis?" Answer: "Perhaps, but our problem is to put our own marbles out first."

The growing panic on the international markets was not soothed by articles such as the *Neue Zürcher Zeitung's* of May 26, "Wild rumors about U.S. banks," which criticized those banks for having "hesitated to provision their loan-losses, on good grounds if one considers the scale of their exposure: Their claims on big Latin American debtors alone exceed the shareholders' capital of most U.S. banks." Similarly, the *Financial Times* on the same day wrote: "It is not surprising that investors are pulling their money out of what they see as risky assets—be it long-term government bonds or deposits in banks whose capital is exposed several times over in politically volatile LDCs."

On the interbank market, the \$1 trillion lifeline of the international banking system, the systematic withdrawal of unsecured credit lines to American banks, and the domino effect this had overall, led to an estimated \$50 billion shrinkage of available liquidity, while part of the market's deposit base fled banking to find shelter in short-term government securities: At the moment the banks needed it most, liquidity was vanishing. On May 30, the crisis took another turn as the CDs of the Big Four British clearing banks started receiving the "Confi Illinois treatment." The clearers were compelled to add 0.25% interest to their CDs to be able to market them. In two days, the London Stock Exchange lost nearly 40 points from 826 at the *Financial Times* 30-share index, the May 30 losses being the worst beating in 10 years for shares in London.

Writing on May 30 on the U.S. banking crisis, the *Neue Zürcher Zeitung* predicted that "much more worrisome than the commercial banks . . . is the situation with the Savings & Loans institutions," warning of extreme overextension in the U.S. mortgage sector and the paucity of means available

to the FSLIC, the S&Ls' insurers. The rumor about the S&Ls was already making the rounds on the European markets, as well as rumors concerning primary bond dealers in the United States, left with \$15 billion or more of unsold bond inventories after the disastrous May Treasury auction. No investor is buying the new paper, in anticipation of large falls in bond prices and another round of increase of interest rates.

The crisis has assumed all the attributes of a classical banking crisis: contraction of the interbank market; inability of banks to fund themselves outside Federal Reserve and other lenders of last resort's largesse in open market and discount window operations; flight into quality; wider and wider yield gaps; tiering between banks; and an increasingly steep yield curve between short- and long-term interest rates.

Leutwiler beats a retreat

The U.S. Treasury, the Federal Reserve, and the Bank of England have dug up in their archives the dusty old volumes of Walter Bagehot, founder of *The Economist*, to find in the century-old Lombard Street the recipe to extricate themselves from this self-created mess. Did it not occur to them that the prime cause of the panic was the debtors' cartel's smashing of their own endlessly repeated words of self-delusion about how the debt crisis was under control, the sudden realization by large segments of the markets that the eurodollar market system is utterly rotten?

When a fright seizes the markets, participants usually look up to what they consider the Great Authorities for reassurance. What came down from the Oracles of Zürich et al. was anything but reassuring. On May 28, the *Wall Street Journal* appeared with a front-page article revealing that Bank for International Settlements and Swiss National Bank head Fritz Leutwiler thought it "counter-productive for the U.S. to pressure Argentina to settle with the IMF." This simple sentence exploded like a bomb: Leutwiler, the most fanatical of the debtor-bashers—who on Dec. 12, 1982 had advocated on Swiss television "lowering the living standard, including in countries whose population lives below the subsistence minimum; even if adjustment is painful, it has to be done"—was now sounding a hasty retreat in front of the strength of the debtors' cartel!

"Leutwiler's statement clearly reflects the recognition that the U.S. banking system could not withstand the onslaught of the debtors' cartel," a Bundesbank official said.

“Leutwiler fears that he is going to lose his shirt, his pants, and his underwear—that’s why he’s wising up,” a leading French business journalist added.

‘Lend, lend boldly, lend again’

“There is only one way out: the Fed has to turn on the taps, and that’s what it is doing,” a Belgian think-tanker said. “Lend, lend boldly, and lend again. The holders of the Bank reserve ought to lend at once and most freely in an incipient panic . . . they ought to know that this bold policy is the only safe one.”

An astonishing process began to occur, in which the staunchest of monetarist ideologues, the fanatical advocates of squeeze for squeeze’s sake, suddenly threw ideology overboard, discreetly buried the reputation of their idolized master Friedrich von Hayek, and called for a huge printing spree by the Fed to bail out the banks.

The best available option, in the words of British monetarist Tim Congdon, “would be for the Fed to relax monetary policy, reduce interest rates, stoke up inflation and depress the dollar. . . . This would all be helpful to the debtors and a ruinous culmination to Mr. Volcker’s period as Fed Chairman. A shift in this direction seems inevitable. Inflation is disagreeable, but an insolvent banking system would be intolerable.”

No end of noise is to be heard from the banking community concerning ingenious technical schemes whereby the debt-and-banking crisis could be “contained”: “capping” interest rates, capitalizing interest, bringing in the World Bank, etc. None of these is anything but one more illusion which the motto of the hour—“print, print, print”—is now dispelling. How can a crash be averted? Leutwiler was asked by the German weekly *Die Zeit*. “Under the condition that governments and central banks make no big mistake. There will be no great crash if we respond promptly and correctly.” In short, the response advocated by Leutwiler is also a spree of money-printing in order to allow banks large write-offs, give “several years interest-free to the debtors,” to allow “debt consolidation” and the transformation of short- into medium- and long-term debt. Who will pay for that? The printing presses.

“If the Fed has been able to muster \$7.5 billion to rescue Conti Illinois, why should not it find what is necessary to bail out the system?” one hears on the markets. The Bank of England, a City source reports, “favors total bending of the rules so long as the word ‘default’ is not pronounced even if no one pays anything.” Since \$11 billion has in fact been made available to the Chicago bank, plus \$17 billion in guarantees, the sky is the limit as far as the new converts to bailing out the system wholesale are concerned. The creation of Weimar-like dollar hyperinflation is not an issue, as long as the sacrosanct “system” be kept alive.

Emergency meetings have been going on in Washington,

New York, London, Frankfurt, and Zürich, between central and commercial bankers “to hammer out fresh approaches to the debt problem,” and desperately try to face the disaster. Those who have been turning to the Great Authorities are presently “voting with their feet,” and showing their new lack of respect for central bankers who have lost their nerve—such as Leutwiler’s sudden virtual conversion to the Brandt Commission’s recipes, by dumping wholesale their risk assets, which include most of the world’s top banks, and long-term securities.

Deeper into the crash?

Paul Volcker, U.S. sources report, intends to open wide the discount window and do whatever will be necessary to save the banks. “Volcker and the central banks, are being pressed hard and will be pressed even harder,” a banker commented. “Governments must contribute,” says Leutwiler. Will that suffice? A peculiar quality of the present situation must be taken into account: Under the avalanche-like pressure of the crisis, the officials and the bankers are liable to say anything, to babble uncontrollably, even to confess their sins and speak of “concessions to the debtors.” Some of them still have the illusion that their own segment of the market could benefit from the others’ misery, and will be busily scheming to short the others’ assets, which will only aggravate the situation.

Exemplary of this case is Venetian oligarchical financier Carlo De Benedetti, the chief executive of Olivetti, who had already signaled his faction’s designs in December 1982 when he called the crash of the \$2 trillion eurodollar market and the international debt system both inevitable and necessary. In an article in the Italian daily *La Repubblica*, de Benedetti warned on May 30 that “the specter of the great financial crash has reappeared . . . it is likely that once more the reassuring veil of band-aids and official declarations to allay the fears and avoid facing reality will come. Out of fear, bad conscience, and incompetence, the root of the problem of bad debts is not being faced . . . the world economy is in fact based on a fragile financial system which is based on a vacuum.” The U.S. fiscal deficit and national debt are going to blow up, warned the spokesman for Venetian financial interests, the debts will never be repaid. Those who sinned most, he warned apocalyptically, will have to pay the most now—the U.S. banks, and the U.S. taxpayer.

The central bankers, on whose orders Paul Volcker jacked up interest rates in October 1979, devastated the world economy, and created the debt crisis, are now lurching wildly in the other direction. “We won’t repeat our predecessors’ mistakes of 1929 and 1931,” they whine—they are trying another set of mistakes now. The debtors’ cartel’s action and pressure by Western public opinion to reorganize the debt on a productive footing are the only escape hatches from the mad world they would create if left to their own, bankrupt devices.

European bankers blame U.S. defense budget for the financial crisis

by Kathy Burdman and David Goldman

President Reagan will be told by Europeans at the London economic summit June 7-8 that the U.S. budget deficit, especially the U.S. defense budget, is the cause of the U.S. banking crisis, because "the markets" react to the deficit with high interest rates and lack of confidence in U.S. banks.

As British Foreign Secretary Sir Geoffrey Howe stated in a London speech May 29, "Lower interest rates, smaller budget deficits, and more predictable exchange rates are essential if the non-industrial nations are to share in the recovery. . . . Without these, many countries will have great difficulty servicing their debts."

The precise opposite of what the British minister says is the case: the Anglo-Swiss banking cartel which has become America's principal foreign creditor is responsible for the budget deficit, and now seeks to use the capsizing of the American banking system as a blunt weapon against American defenses. Indeed, the banking cartel chose to bring to the surface the longstanding weakness of the American banks at the moment when this would do the most damage to the American defense budget.

A band of latter-day Neville Chamberlains in Europe, led by Sir Geoffrey's collaborator, NATO Secretary General Lord Peter Carrington, Swiss National Bank President Fritz Leutwiler, and West German Bundesbank President Karl-Otto Pöhl, encouraged a run on U.S. bank deposits, "in order to make a point concerning the American budget deficit," as a British merchant banker from a centuries-old family put it.

How the Euromarket created the deficit

When Federal Reserve chairman Paul Volcker flew home from the October 1979 Belgrade International Monetary Fund (IMF) annual meeting in the midst of a crisis that had reduced the dollar's parity to DM 1.78, 40% lower than today's, he "saved" the dollar by imposing a regime that made America a net debtor for the first time since the First World War: first by sucking up flight capital from the developing sector, then by drawing portfolio investment from Europe and Japan, and finally by borrowing from the Eurodollar Market at what appears to be an annual rate approaching \$150 billion during 1984.

These measures were dictated to the United States, and accepted by an eager Paul Volcker, by the same crew that

intends to bludgeon President Reagan into accepting massive defense-budget cuts at the upcoming London summit of world leaders. The dollar had collapsed because the City of London had blown the supply of overseas dollars into a \$1.6 trillion monster (by 1980), employing a runaway banking multiplier in the offshore markets. London and Zürich then demanded that the dollar deposits which they had generated through this multiplier be secured by higher rates of return on dollar deposits! Volcker obliged by doubling American interest rates.

Between 1979 and 1983, these higher interest rates wiped out federal revenues and increased Federal interest expenses to push the Federal budget deficit of the United States from \$40 billion (including "off-budget" expenditures) to the \$184 billion mark, or closer to \$300 billion when the off-budget subsidy to the housing industry is tacked on.

The "Economic Report of the President," transmitted to Congress in February 1984, contains the following startling admissions concerning the dependency of the United States on capital inflows:

The U.S. current account deficit in 1983 was nearly three times the previous record, which was set in 1978. The immediate connotation of the current account deficit, as of the trade deficit, is lost production in import-competing and export industries. But there is another way to look at it. The current account deficit is financed by a capital inflow from abroad. Foreigners have been investing in the United States, for example, participating in the rising stock market and buying Treasury bills.

In 1984 the U.S. current account deficit is forecasted to be roughly 40 percent the size of the Federal Government budget deficit. *This means that a capital inflow from abroad is financing the equivalent of 40 percent of the budget deficit*, and the crowding out of other sectors of domestic demand is reduced correspondingly.

In short, once the United States threw itself into massive official deficit by meeting the demands of European dollar-holders, the latter proceeded to finance the deficit. They demanded increasing interest rates as the penalty for doing so, on the grounds that the "risk" of a future dollar crash

compelled them to shun dollar paper unless the risk were met with a correspondingly high reward.

Now they are insisting that the high interest rates they have demanded, and obtained, upon their dollar holdings be secured by the elimination of the American defense budget!

In effect, they have demanded cuts in the defense portion of the Federal budget to pay the interest item on the expense accounts:

Net interest on the federal debt rose from only \$42 billion in 1979 to an estimated \$135 billion in the current fiscal year. Defense expenditures, the object of rage among the European banking cartel, rose only slightly more, by \$154 billion to a projected \$272 billion in the current fiscal year. Cuts already instituted will lower that figure.

Having drawn the United States into arranging its own national bankruptcy through the Volcker policy since 1979, the old European families have now called in their chits in order to force their debtor to sacrifice national defense, much as they previously forced the major Third World debtors to sacrifice development efforts, with the cooperation of the United States.

Next victim: the MX missile

On **May 16**, the European creditors succeeded in forcing the slashing of the U.S. defense budget, by demonstrating the collapse of foreign confidence in the U.S. banking system. "We wish to make a point concerning the U.S. defense budget," as one British banker said.

That day, the United States lost the MX missile, when liberal Congressman Les Aspin (D-Wisc.) rammed through an amendment reducing the number of MX missiles approved for construction this year to 15, with no money to be spent at all unless the Soviets have still not returned to the arms-control talks in six months. A vote on the House floor on an amendment by Rep. Mavroules (D-Mass.) to kill *all* funding for *all* MX production lost by just 212-218.

By **May 23**, the House of Representatives passed the Brown-Coughlin amendment to the FY 1985 Defense Authorization Bill by a 238-181 margin, declaring a one-year moratorium on U.S. Anti-Satellite (ASAT) technology. This bill was submitted by Reps. George Brown (D-Calif.) and Larry Coughlin (R-Pa.) and had been drafted by the same team of operatives that worked with the Soviet embassy in Washington to draft a bill introduced by Rep. Joe Moakley (D-Mass.) against the U.S. Strategic Defense Initiative program for antiballistic-missile defenses. Dr. Carol Rosin of the Institute for Cooperation and Security in Outer Space had worked with Soviet officials to draft the exact formulations of the Brown-Coughlin bill.

On **May 23**, the London *Financial Times* published an article by New York money manager George Soros who said that the only way to avert a crisis was for the United States to drastically cut military spending. Entitled "International debt—the danger of Reagan's imperial circle," the article explained that "the Reagan administration has developed a

new form of economic imperialism which allows it to finance a high budget deficit at the expense of the debtor nations.

"I shall call this benign circle the 'Imperial Circle,'" wrote Soros. It is a "vice that sucks dry the debtors," but "the Imperial Circle is liable to be broken. . . . It is only a question of time before the same thing that happened to developing countries happens to the U.S. budget deficit. . . . 1985 may turn out to be a year of economic crisis."

To end the crisis, "It is essential to reduce military expenditures," he concluded. "Military spending can be reduced only if there is a relaxation of political tensions. Anti-communism as it is professed by the Reagan administration runs a great risk. . . . [Let us] depend less on our military might [in order to] tackle the international debt problem."

Pulling the plug on Conti

The pressure on the Congress was prepared by the banking crisis which began on **May 10-11** (the anniversary of the 1931 bankruptcy of the Vienna Kreditanstalt bank), when Edmond Safra's banking group in Switzerland, a group of German banks lead by Deutsche Bank under the guidance of the Bundesbank, and British bankers under advice of the Lazard Frères group in London pulled some \$5 billion in deposits out of Continental Illinois, the eighth largest bank in the United States with assets of \$49 billion.

Since then, this same group has orchestrated the pull-out of over \$50 billion deposits aggregate from U.S. banks in the European offshore markets during **May**. Just as Mexico's foreign creditors removed \$40 billion from Mexican banks during 1982 to enforce their desire for a 100% devaluation of the peso, so now our foreign creditors are pulling the credit reins on the United States to tell us how much defense we can afford.

The run on foreign deposits was initially (and falsely) attributed to Japanese banks; in fact, the Japanese followed Zürich and London.

The operation was clearly timed with precision. A full month earlier, Continental Illinois had taken a hefty 6% profit drop in the first quarter on bad oil loans from the bankrupt Penn Square bank. But it was not until the week of **May 11** that Conti experienced a "walk" by depositors, led by London eurodollar investors. The bank was forced to pay 100-150 basis points more than other banks for large certificates of deposit.

During the 48 hours following **May 9**, London eurodollar six-month interest rates jumped more than 2% to almost 13%, "the largest jump in history," according to one banker.

The pressure from the Conti crisis was immediately turned against the U.S. government itself. **Friday, May 11** became known as "black Friday" in sophisticated financial circles, because of the collapse of the entire U.S. Treasury debt market. Led by Conti, banks throughout the system internationally began dumping their Treasury security portfolios to gain liquidity to pay depositors' withdrawals.

By **May 14**, it had been announced that a \$4.5 billion

standby credit had to be pumped into Continental by a syndicate of 16 U.S. banks, lead by New York's Morgan Guaranty. The bank had lost over \$5 billion in deposits.

The capitulation of the U.S. Congress to the budget-cutters only whetted the appetite of the European banking sharks, who continued to pull up to another \$6 billion in deposits that week out of Continental Illinois. On **May 17**, Conti was bleeding funds so badly that the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) had to put together a \$6 billion financial assistance package for the bank.

On **May 18** the extent to which the Leutwiler-led European central banks were coordinating the run was shown when the West German Bundesbank was forced to deny it had pulled funds out of Conti. The Dow Jones wire commented that it was probably the private Deutsche Bank instead of the Deutsche Bundesbank that was to blame.

A source at the Bundesbank commented dryly, "We are on the other side of the Iron Curtain with respect to this question."

Said a source at the Swiss National Bank, "This will teach the Americans to stop throwing money at problems," such as national defense.

White House held hostage

A well-placed Geneva banker reported on **May 23** that Reagan was finished as a result of the Continental Illinois crisis. "Volcker is preparing President Reagan's non-reelection. Ronald Reagan and this idiot Don Regan are totally unaware of what's going on. They're going to move on until they get badly bashed over the head. The European recovery

is already vanishing; it's something of the past. Projections for economic growth are already beginning to be revised downwards. And the pressure of the Latin American heads of state won't work—the White House is the hostage of the banks.

"So, the game is going to blow. The Democrats are protecting Volcker: He's doing their job, after all, destroying Reagan's recovery. And this poor Reagan does not see the danger."

The next day, **May 24**, the wires reported rumors of a run on New York's \$65 billion Manufacturers Hanover Bank, the fourth largest bank in the United States. By midday, major bank stocks had collapsed in New York on a "rumor that Manufacturers Hanover had encountered difficulty," as the Dow Jones wire put it.

One source told the wires that Manufacturers Hanover had had to sell off a large position in British government bonds or "gilts" to raise cash to pay fleeing depositors, thus raising more suspicion in the bank deposit market.

Manufacturers Hanover stock fell 5% to 28%, Chase Manhattan Corp. fell 3½ to 38% and Irving Bank Corp. fell 2½ to 54.

Although a bank spokesman said that the bank "has absolutely no funding problems," this was clearly not the case. "A 5% contraction of the Eurodollar Market might well be underway as a result of the Conti Illinois crisis, and with an interbank market of \$1 trillion on the Eurodollar Market, that means well over \$50 billion that evaporated in ten days," a London broker stated today.

"European banks are cutting their internally fixed lending limits to American banks, they are cutting down on the credit lines and other exposure to American banks—especially the smaller ones, since the Fed will bail out the huge ones—and U.S. banks cannot even get a rating in London, they could not sell a toothbrush with their name on it," a Frankfurt banker said.

On **May 31**, the Manufacturers Hanover crisis took its toll on the defense budget. The House, on three separate votes, all in the range of 199 to 196, overturned the MX "compromise" of three weeks before, and prohibited MX missile production outright.

The U.S. chairman of the KGB-linked Parliamentarians for World Order, Rep. Tom Downey (D-Moscow) gloated, "Never have we beaten a sitting administration that worked this hard."

The defense debacle does not end there. Still before the House is a Les Aspin amendment which will cap funding for the Strategic Defense Initiative (SDI) at a rate of 5% real growth per year—a devastating cutback from the administration requests. The House Armed Services Committee has already cut the \$1.8 billion budget back by \$480 million. The Senate Armed Services Committee has proposed a cut of \$120 million and Senate sources expect that Senators Larry Pressler (R-S.D.) or Paul Tsongas (D-Mass.) will successfully push further Senate cuts on the floor.



NSIPS/Stuart Lewis

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Can Japan be a bridge from North to South?

by Linda de Hoyos

Japanese Prime Minister Yasuhiro Nakasone's declaration in New Delhi, India on May 1 that Japan is uniquely suited to act as a "bridge between the North and South," has been dismissed in Washington think-tanker circles as a "nice phrase." But in the three weeks since he completed his tour to the Indian subcontinent, Nakasone has made this concept the foundation of his policy toward the underdeveloped nations.

On May 27, Brazilian President João Figueiredo arrived in Tokyo for a state visit, which resulted in Japan's granting of \$756 million in new credits to the Ibero-American debtor country, nearly three times more than the Brazilian President had expected. Only six days before his arrival in Japan, Figueiredo had signed the May 19 four-nation communiqué—with Mexico, Colombia, and Argentina—that launched the Ibero-American debtors' cartel. Instead of being treated in Tokyo to lectures on the necessity to bend to the loan conditionalities of the International Monetary Fund and the bankers at the expense of the economy, Figueiredo received credit from Japan—credits that will make possible the continuation of Brazil's industrial projects.

If this is not an outright endorsement of the Ibero-American countries' debtors' club, it is a demonstration that the Nakasone government is acting on an understanding that neither debtor- nor creditor-countries will profit if Ibero-America's productive capacities are destroyed. That makes Nakasone unique among the group of seven leaders who will meet at the London summit of OECD industrialized nations June 7-9.

The same approach was taken in the Joint Japan-Egypt Committee meeting in Tokyo May 26. The Committee was formed last year as a result of Egyptian President Hosni Mubarak's trip to Japan. When Mubarak came to the United States in February to call upon the White House to move on the Reagan plan following the pullout of U.S. Marines from Lebanon, his efforts to discuss the Mideast were shrugged off, and he was instead told that Egypt must accede to IMF demands to cut government food subsidies.

In contrast, deliberations of the Japan-Egypt Joint Committee centered on efforts to resolve the Iran-Iraq war. Egyptian Deputy Foreign Minister El Shafie and his Japanese counterpart Nakajima discussed how Japan would speak up

for the countries of the South at the London summit. The Japanese also promised that they will raise the issue of aid to starvation-stricken Africa.

There are two obstacles to Nakasone's fulfilling the role of representative of the South before the forums of the industrialized countries. First is the United States. Nakasone is considered the most pro-American nationalist within the political spectrum of the ruling Liberal Democratic Party. The Japanese budget reflects his commitments: Allocations were increased in only two areas, defense and foreign aid. It is unlikely that under current strategic conditions Nakasone would carry out any international economic policy that would force a rupture of his relations with the White House. The war in the Persian Gulf, the source for 65% of Japan's oil needs, has placed an additional burden on Nakasone. A total oil cut-off in the Gulf would make Japan heavily dependent upon U.S. supplies.

Secondly, within the broad consensus that shapes Japanese policy, Nakasone finds opponents, however the difference is mooted, to his economic intentions. These are from the faction around ex-Prime Minister Takeo Fukuda.

Fukuda, a member of the Trilateral Commission, chaired a conference of former heads of state in Yugoslavia May 26, attended by West German Social Democrats Helmut Schmidt and Willy Brandt and former U.N. Secretary General Kurt Waldheim. The conference took a unanimous position for global disarmament, and will send delegations to Moscow and Washington to seek renewal of arms negotiations.

Within this context, the conference also discussed "Third World indebtedness." The U.S. budget deficit and high interest rates were cited as major reasons for monetary instability, which participants believe could cause a financial collapse. But, the conference warned, the underdeveloped countries must adhere strictly to the rules of the International Monetary Fund.

On the face of it, there is not much difference in wording between the resolutions passed under Fukuda's leadership at the former heads of state conference and statements to which Prime Minister Nakasone would adhere. Yet the two leaders approach the question from completely different standpoints. Fukuda is carrying out his international endeavors with the close cooperation of the the Club of Rome, according to the genocide lobby's executive director, Alexander King. That places him squarely in the faction of Japanese Club of Rome member Ichi Okita, who is working to make Japan the linchpin of a supranational bureaucracy—an Asian OECD—that would police the neo-colonialist debt-equity plans of the London, New York, and Swiss banks to "solve" the debt crisis (see article, page 34).

Nakasone's impulse is to take the lead in bringing together a community of principle among nations, under the direction of heads of state, for technological progress. On the crucial issues of national sovereignty and the necessity for industrialization, Nakasone stands with the Ibero-American debtors' cartel.

The Figueiredo-Nakasone joint communiqué

Brazilian President João Figueiredo and Japanese Prime Minister Yasuhiro Nakasone signed a joint communiqué in Tokyo on May 28 which underlined Japan's readiness to help Brazil overcome the foreign debt crisis. According to the newspaper *O Estado de São Paulo*, the debt problem was at the center of the leaders' talks, along with the question of "the normal development of trade and international finance."

The two leaders agreed to a \$1.3 billion financial package, including \$756 million in new money given by the Japanese government and the rescheduling of \$565 million in old state-sector debts. "According to initial information, Brazil was expected to get at most a skimpy \$500 million," the Rio de Janeiro daily *O Globo* reported on May 26. "We got three times what we expected," said President Figueiredo, who, according to the newspaper, "manifested his hope that Brazil would one day be able to reach the level of development of Japan."

Of the new \$756 million financial package, \$152 million will go to the Cerrados Development Program for agricultural expansion in Brazil's central region, \$52 million for an irrigation program, and \$200 million for short-term insurance for Japanese exports; three credit lines from the Japanese Eximbank—one of \$52 million to finance exports and imports through BNDES, another of \$200 million for developing the Carajás iron ore-mining project, and the third of \$100 million to finance Brazilian imports of Japanese products.

The breakdown of the \$565 million to refinance old debts is as follows: \$40 million for debts from the Itaipu dam; \$30 million for the Light public electricity enterprise; \$135 million for Eletrobras (electricity); \$280 million for Siderbras (metal); \$80 million for the National Economic and Social Development Bank (BNDES).

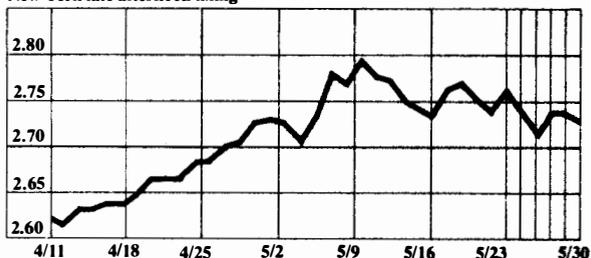
A technological cooperation accord was also signed for a minimum of two years between Foreign Ministers Saraiva Guerreiro and Shintary Abe. The program will include seminars, exchange of personnel, exchange of information, and research programs.

Another agreement was reached for the creation of a modern research center to study tropical parasitical diseases (sistosomiasis, leishmaniosis, elephantiasis, and the Chagas disease) at Pernambuco University with equipment and technical assistance from the Japanese and training of Brazilian personnel in Japan.

Currency Rates

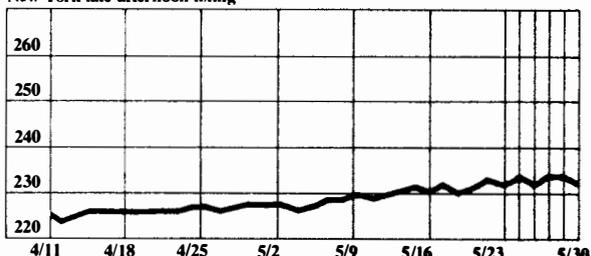
The dollar in deutschmarks

New York late afternoon fixing



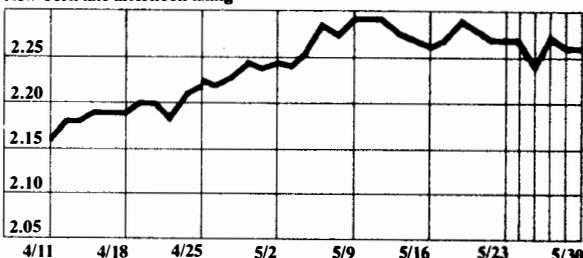
The dollar in yen

New York late afternoon fixing



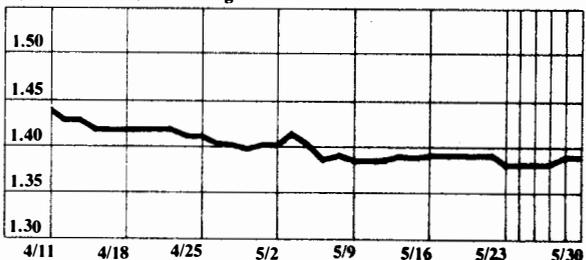
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The hoax of Kissinger's 'special treatment' for Venezuela

by Gretchen Small

Venezuela has long been known as a nation taking leadership in advocating continental unity, a tenet of the nation's ideology going back to the days of the "Liberator," Simón Bolívar.

Not so May 20. A shock went through Caracas when it was announced that four Ibero-American presidents had convoked a summit to discuss continental coordination in the face of creditor aggression—and Venezuela's president wasn't one of them.

"I cannot explain this omission to myself," former President Carlos Andres Pérez told the press. "For how many times has Venezuela reiterated, in the voice of its president, our anguish and outcry for the manner in which the industrialized countries and the international banks, headed by the International Monetary Fund, have behaved toward the countries of Latin America."

Pérez was joined in his concern by Gonzalo Barrios, the senior "wise man" of the governing Acción Democrática party, not known to agree often with the former president. "Venezuela should not have remained on the sidelines," Barrios responded to reporters' questions. "We have no reason whatsoever to seek the benevolence of the bankers through good behavior, given that Venezuela is, among all the debtors, one of the countries which has received the worst treatment in its negotiations" with the banks.

The government began scrambling for excuses, admitting it had been actively involved in the discussions down to the last hours before the release of the communiqué. The presidential communiqué was a "hurried" action, foreign ministry sources told inquirers; there wasn't time for the other presidents to consider the amendments to the *fifth* draft which the Venezuelans considered vital. But when the foreign ministry published the crucial paragraph the government had wished included, the wording was such convoluted diplomatese that it defies translation!

Official explanations of the government's failure to sign the communiqué come down to just what Barrios had warned: Venezuela feared international financiers might then associate the country with its "poorer cousins" in the region. Chief debt negotiator Carlos Guillermo Rangel rejected the idea of coordinating action: "A debtor's club is more of a disease

than a remedy," Rangel stated. "It would put us on the same level as Bolivia. . . . We have a better chance of survival."

'Special treatment'

Venezuela's negotiating team argues that Venezuela is "totally different" from the rest of Ibero-America. The country still has \$11 billion in reserves (much of it accumulated in 1983 when almost no debts were paid, principal or interest), and with its oil supplies, is a strategic ally of the United States. Therefore, they plead, some \$14 billion in Venezuelan public sector debt due in 1983 and 1984 must be rescheduled without forcing the country to accept an IMF adjustment program. If Venezuela succumbs to the IMF, the country will look like the Dominican Republic in short order, its leaders argue, and who would want to blow up Venezuela at such a time?

One Ibero-American diplomat in Caracas commented, "What kind of special deal do they expect to get? Mexico got the creditors' 'special treatment.' It went through the IMF route—and it still can't pay. No more than one government need go through that."

The country's creditors have already given Venezuela a taste of "special treatment":

In mid-April, Venezuelan debt negotiators were told that no debt would be rescheduled until the IMF was given a "direct role" in rewriting the government's austerity program.

On May 11, the *Wall Street Journal* announced the U.S. Interagency Bank Regulatory Committee had sent out a memo to U.S. banks informing them that loans to Venezuela would henceforth have to be classified as "substandard." It was the first time that a big Ibero-American debtor had been downgraded, the *Journal* reported, but "the difference . . . is that Venezuela is the only big Latin American debtor to refuse to submit to an IMF program. . . . Bankers say the move is an effort to pressure Venezuela to submit to an International Monetary Fund austerity program."

Now rumors are rife in Caracas that a large maxi-devaluation of the bolívar, from the current level of 15 to 30 to the dollar, is in the works for after the May 27 municipal elections.

Despite the innuendos from Venezuelan debt negotiators that Washington will step in at any moment to tell the banks

how special Venezuela is, any such plans remain a deeply hidden secret. "I have heard people talk of lowering interest rates for one country, or stretching out payment terms for another," commented one source close to U.S. United Nations Ambassador Jeané Kirkpatrick. "But I have never heard anyone, anywhere, talk of giving Venezuela special treatment. Washington isn't promising them a thing!"

Venezuela has been told that unless it guts its economy further, the country will *not* receive special treatment, even if some Rohatyn-styled "debt relief" program to lessen interest rates is considered by its creditors. The Caracas English-language *The Daily Journal*, ran a page 1 interview May 3 with one of the U.S. proponents of an "interest rate ceiling for 'responsible' debtors." Terry Caraven, an Executive VP of Chemical Bank, informed the *Journal* that "in the case of Venezuela, a full economic adjustment program—with or without the IMF—would have to be adopted for a cap to be considered."

Enter Goldman, Sachs & Co.

From Caracas, *EIR* correspondent Carlos Méndez reports that a new scandal on Henry Kissinger's possible involvement in the government's decision to "go it alone" may blow apart the political power of those friends of Rockefeller within the government advising the president that "good behavior" might ease creditor pressure. An *EIR* news release May 21 reveals that Henry Kissinger is once again using his role as U.S. government adviser to line the pockets of his banker friends and himself—this time at Venezuela's expense.

Circulating among members of Venezuela's private business association, Fedecameras, is a proposal from the old-line New York investment house, Goldman, Sachs & Co., that the businessmen form a unified debtors' group and hire the New York investment firm as consultant in their negotiations with foreign creditors, reports *EIR*'s local release. The reason? Goldman, Sachs "has at its disposal the talents of the members of its Advisory Committee, amongst whom are found Dr. Henry Kissinger, Mr. Robert McNamara and Mr. Henry J. Fowler, who are available to be consulted on all aspects of the international business of the company.

Such "prestigious" advisers will give Venezuela's private debtors the necessary power to force "creditor banks" to give the best conditions to their Venezuelan clients, the memo argues. As if Goldman, Sachs were a separate entity from the creditor banks! Goldman, Sachs' financial wizardry was just demonstrated in the near-collapse of one of their clients, Continental Illinois. And Henry Kissinger, of course, sits on the International Advisory Board of Chase Manhattan Bank—the lead bank in Venezuela's "Bank Advisory Committee"!

Further, the proposals for "debt settlement" made by the investment firm are taken straight out of the resource-grab scheme Henry Kissinger and his friends in the Rockefeller-run Council of the Americas have been promoting under the

rubric of "trading debt for equity." The strategy was originally designed at an August 1983 secretive meeting in Vail, Colorado which Henry Kissinger attended. *EIR* at the time reported the comments of one participant at the meeting, a banker both personally linked to Kissinger and extremely close to Goldman, Sachs. What was discussed in Vail, the banker reported, was how to "use the austerity and resulting social chaos to break the social institutions of the countries, to change their laws." By leveraging the crisis against current laws defending state sector companies, the banker explained, foreign interests can force countries to open up their strategic resources "for private foreign investment."

The Goldman, Sachs memo lays out the Kissinger program concretely. The key is "allowing" the private sector to pay its debt in local currencies—thus setting up "blocked accounts" which can eventually be used by the creditors to cheaply buy up the country in question.

Goldman, Sachs presents two options to the Venezuelan private sector. Option "A" gives the private sector the ability to buy dollar-denominated government bonds at 4.30 bolivars to the dollar, a preferred rate. These bonds can then be offered to their creditors. Option "B" gives the private sector the ability to set up blocked accounts and pay an interest rate of something just above the international LIBOR.

In typically venal fashion, Goldman, Sachs then tells the Venezuelans: if we succeed in getting the government to take on your debt, option "A," we should get a premium of \$3 million!

How does the proposal from Kissinger's friends intersect Venezuela's overall negotiations? States the memo at the outset: "In the long term, it is in the best interest of Venezuela to establish itself before its creditors as a separate and different entity from the rest of the countries of Latin America." Fedecameras is warned to accept the "offer" quickly. If Goldman, Sachs is not hired within 30 days, pressure from "international creditors" will increase rapidly.

With the private sector under the thumb of Kissinger's Goldman, Sachs & Co., creditors hope to then wield the political and economic weight of the private sector as pressure upon the government to settle the larger issue of public sector debts.

Some of Rockefeller's private sector friends expected to railroad Fedecameras behind the proposal quickly, but other members of Venezuela's business sector have been looking to continental unity as a better route to ensure the flourishing of local industry. One former president of Fedecameras, Armando Branger, reminded Venezuelans of the difference between "bankers . . . and money-merchants, the usurers" in an editorial comment in *El Universal* May 18. Venezuela's debt problems today, Branger wrote, are equivalent to the speculative debts of the last century, "given under such onerous conditions" that Venezuela was finally forced to declare a debt moratorium in 1902.

The alternative to class struggle

The European Labor Party demands steel industry revival and no decoupling of Western Europe from America.

To strike now for a 35 hour work week is as appropriate as the behavior of a man threatened at gunpoint who tells his attacker he would just like to finish his crossword puzzle, and then everything would be in order. In other words, it is absurd."

The words are those of Helga Zepp-LaRouche, who chairs the European Labor Party, in the ELP's steel program, "Save the European Steel Industry!" The just-published pamphlet intersects the targeted strikes called by the German metalworkers May 14 to demand a 35 hour work week, which could cripple auto production across Europe (Report from Bonn, *EIR* June 5, 1984). On May 28, a leader of the German labor confederation said at a Bonn rally that a general strike might be in the offing.

The ELP warns that the current strike wave is developing in the midst of a steel crisis, which is inseparable from the strategic crisis, the world financial crisis, and the brewing new Berlin crisis which is pressuring West Germany to "decouple" from the United States.

Decoupling, besides the 35 hour week, is the political objective of the German Social Democrats and their European sister parties, which run the politics of most of the European labor movement. They have introduced the fight against installing U.S. missiles in Europe into the daily propaganda of the European Trade Union Congress (ETUC) and its member unions.

The ETUC is dominated by the German labor union movement. Founded in 1973 on German initia-

tive, ETUC's first president, till 1979, was the head of the German labor union federation (DGB), Heinz-Oskar Vetter.

Vetter, a founding member of the Trilateral Commission, was replaced by the chairman of the Dutch national labor federation FNV, Wim Kok, ETUC president until 1982. The tight policy coordination between Dutch and German labor was evident when Kok called 750,000 members of his FNV on a "political protest strike against the stationing of U.S. missiles in Holland" on May 3.

Solidarity messages poured in from the DGB headquarters in Düsseldorf, West Germany, expressing "the hope that our Dutch colleagues may be more successful in preventing the stationing than we have been in Germany." In return, Dutch Socialist Party chairman Joop den Uyl conveyed to the German Social Democrats' national convention in Essen on May 17 the Dutch labor movement's hopes that "the strike of our German metal workers colleagues will pave the way for the 35 hour week in all of Europe."

The role of the communist labor unions in Europe, which are not (at least not yet) formal members of the ETUC, must also be watched. They control a majority of workers in the key industries of Italy and France. Timed with the outbreak of the German metalworkers' strike, the communist-led French CGT called a strike at the country's number two automaker, Citroen. Simultaneously, the Italian metalworkers' union FIOM struck the big auto firm Alfa Romeo. Three weeks

earlier, the CGT set off violent labor protests in steel, shipbuilding, and mining, and threatened a social uprising against the government in Paris. The Italian Communist Party mobilized 800,000 for a "march of labor on Rome," threatening the government with overthrow.

It must be said that the brutal austerity policy of both the Italian and French governments constantly opens new fronts for broad-scale confrontation with labor, and makes it relatively easy for the radicals to mobilize labor against the government. The same situation is emerging in West Germany, where the government has publicly sided with management against labor to reject the 35 hour week, while the DGB has merged with the anti-missile movement in a political confrontation with the government's pro-NATO policy.

The communist sections of the European labor movement are the prime transmission belts for Soviet propaganda against capitalism and NATO, i.e., American military presence in Western Europe. If they join ranks with the Socialists and Social Democrats for what metalworkers' leader Franz Steinkühler termed a "fight for a new balance of power in Europe's society," the Soviets will have a crucial lever to destabilize all of Western Europe.

This is where the ELP's programmatic intervention is critical: The steel crisis can only be solved by gearing up exports of high-technology capital goods to the developing sector and constructing great infrastructure projects. The credit will come from setting up a new international monetary system independent of the London, Swiss and New York banks. Steel production must be revolutionized, moreover, by applying the technological breakthroughs of the "laser and plasma age," says the ELP.

Food shortages by 1985

Behind the "bumper crop" headlines: escalating bankruptcies, shrinking stockpiles, and dwindling production.

The media and U.S. Department of Agriculture forecasts of the past month of "bumper crops" and continuing "surpluses" have about as much truth as the Western storefronts on a Hollywood stage set.

The combined effect of federal programs to reduce U.S. farm output, and the financial crisis bankrupting farmers is guaranteed to destroy bountiful harvests for good, and to destroy the U.S. farm infrastructure. Adverse weather patterns during this past spring planting will hasten the process.

The 1984 wheat payment-in-kind (PIK) program and acreage "conservation" programs will idle 20 million wheat acres this summer—a quarter of the nation's base wheat land. This is below last year's wheat PIK in which 30% of the national wheat acreage was taken out of production, and the national wheat output reduced by 15% from the year before. This year's crop, however, could be even lower than 1983, despite increased acreage, because yields will be held down in many regions hit with lack of moisture, frost kill or other damage.

For food security reasons, the United States should have at least two years worth of grain use in a national food reserve, with which to supply emergency shipments to Africa and other points of need and provide for ample domestic use at the same time. The maximum stockpile level likely at the end of this wheat crop season will be one year. Moreover the exact amount of any crop in storage is not known, and a national grain audit is called for.

The crop statistics section of the USDA is notorious for reporting large stores of grain "surpluses" which then are found not to exist. Inflated estimates of surpluses serve the grain cartels' purpose of rationalizing the low prices paid to farmers around the world.

But on numerous occasions the USDA is forced to admit that its stocks figures are way off. In May 1983 Agriculture Secretary John Block admitted he did not have the grain stocks needed to meet the PIK obligations to farmers in several crops, and he announced the crazy "plant for PIK" plan. In the fall, 1983, the USDA had to admit it "lost" 60 million bushels of soybeans in the national stocks calculations. In January 1983, another USDA soybean stocks scandal occurred and several USDA crop statistics staff members were reassigned.

However, even by fraudulent USDA statistics, U.S. grain stockpiles are dwindling. By the end of this year soybean stocks could fall to 150 million bu. as compared with 359 million bu. in 1980. The 1984 year-end corn stocks could fall to 520 million bu. as compared with 1.618 billion bu. in 1980.

Last year's corn crop fell by fully 50% from the year before, due to the corn PIK (idling 20 million acres) and the drought. Yet instead of countering this through production credits for a full 1984 corn harvest, the federal acreage "conservation" and other programs will cut production on 4-5 million corn acres again this year.

As of April 1, the nation's supply

of corn totaled 3.26 billion bushels, down 48% from last year at this time, and the smallest level since 1976. In addition, millions of bushels of this corn is unfit for use. The USDA's response last month was to announce a sale of 10 million bushels of subgrade corn for domestic livestock feed, and one million bushels for commercial sale abroad to Africa and other starving, impoverished populations.

Nevertheless at least 35 million acres will be out of production in 1984 in the United States in these various crop reduction programs, which is less than the unprecedented idling of 80 million acres last year (one third of the U.S. base crop acreage), but nevertheless a factor leading to potential disaster.

When feedgrains (corn, sorghum, barley and oats) are considered together, supplies are down 44% from a year ago. Last fall and winter poultry production declined directly because of the feedgrain reductions. Meat production per capita in the U.S. is declining.

In January, the milk "PIK" went into effect, in which farmers who signed up to agree to reduce their milk output would get \$10 a hundred pounds every month for what they did not produce for the next 15 months. For the first time in five years, the national U.S. dairy herd has begun to decline.

The farm debt and income crisis has caused bankruptcies at an unprecedented rate. In April the USDA economist William Leshner put the figure of farms in trouble at 10-15%. The true figure is at least 50%. President Reagan has glossed over the situation by remarking that 1½% of farmers go out of business every year anyway, and the current rate is not over 4%. But even the unsecured loan operations of the Illinois hog farm owned by Agriculture Secretary John Block are now in the news.

Business Briefs

The Debt Bomb

Peruvian TV presents Operation Juárez

A 90-second spot announcing the founding of the Andean Labor Party (PLAN) in Peru was run eight times the night of May 29 and the morning of May 30 on Lima's Channel 5 news broadcasts. The item showed PLAN spokesman Luis Vásquez describing the PLAN's platform, Operation Juárez, as being based on a debtors' cartel and Ibero-American cooperation.

The newscaster stated that the new PLAN party has the support of similar parties in Mexico, Colombia and Venezuela and the part of the Democratic Party in the United States led by Lyndon LaRouche.

The Lima daily *El Observador* gave its entire second page to Vásquez' allegations that Peruvian President Fernando Belaunde was playing a scab role against the debtors' club. Picking up from the May 28 Vásquez press conference, *El Observador* described the way the Peruvian government had sought at the Organization of American States to sabotage the four-nation debt initiative. It also cited the *Latin America Economic Report* of London's story that Belaunde had been bought by the U.S. State Department to play such a role.

Europe

Italy shoots own economy in the foot

On May 24, the Italian parliament passed a law which forces the early retirement of workers employed in the steel industry. The new law will send home some 20,000 workers who have reached 50 years of age, on pension—and these 20,000 are only the workers of the state owned industry, Italsider.

The law passed in the parliament also includes guidelines for dismantling the steel plants, public and private, and reducing productive capabilities to the limits demanded

by Count Etienne Davignon of the European Commission, at a cost to the state of about half a billion dollars. Industry Minister Clelio Darida hailed the law as "a further step toward the recovery and the rationalization of the [steel] sector."

Darida, the ex-mayor of Rome, is one of the main organizers of an exposition on the post-industrial society, slated for the Colosseum in Rome, formerly best known for such economic wizardry as throwing Christians to the lions. The show, to open Sept. 22, is sponsored by the Bank of Italy; semi-public conglomerates Montedison and Dalmine; President Pertini; Prime Minister Bettino Craxi; his predecessor, Giovanni Spadolini; and the socialist-communist Rome city government.

Research and Development

Congress slashes fusion budget

Before recessing for the Memorial Day holiday May 24, the U.S. Senate Appropriations subcommittee chaired by Mark Hatfield (R-Ore.) voted to slash the magnetic fusion budget by \$27 million. The administration had asked for \$483 million.

On May 22 the full House passed a bill calling for a nearly \$64 million cut in the magnetic fusion budget. Fusion scientists had hoped that if the Senate passed the administration's full request, the compromise with the House would have led to a relatively small cut. Now, the compromise will be at least the Senate-passed \$27 million.

A cut in the fusion program of this magnitude would shut down mainline fusion experiments and cut off promising areas of research needed for the beam weapon program and fusion development itself. The laser fusion program had already been cut in the administration's request—from 169.7 million in FY84 to \$138 million next year.

For the past three years science adviser Dr. George Keyworth and free market budget fanatics in the Congress have joined forces to insist that fusion energy is not needed. Now, these extreme actions threaten the ex-

istence of the program itself, and endanger the strategic defense efforts.

Ibero-America

Brazilian front-runner opposes debtors' club

Paulo Maluf, the main contender for selection as Brazil's next president, is trying to undermine President João Figueiredo's commitment to joint debt action with Argentina, Mexico and Colombia.

In sharp contrast to Figueiredo's regional solidarity, Maluf announced that as soon as he is inaugurated in March 1985, he will fly to Washington to renegotiate Brazil's debts on a bilateral basis with President Reagan. Maluf says his debt program should be the "model," which other countries, individually, would follow.

He calls for the conversion of \$15 billion in foreign debt into equity, exactly what the international oligarchy desires. This debt would be capitalized in the hands of the multinational corporations in Brazil, which could then use it to buy up cheap Brazilian assets of all sorts.

Maluf also promises asset strippers that present laws limiting annual profit remittances to 12% of capital would be eliminated.

Maluf is widely believed to have bought up the majority of the majority PDS party's convention delegates at a cost of \$90,000 each.

Labor Unions

Auto workers have giant strike fund

The United Auto Workers report themselves to possess a record \$555 million strike fund, enough to last three months should the union decide to strike one of the three automakers after contract talks begin in July. General Motors is said to be a likely target by the union leadership.

Briefly

"Our financial situation overall in the union is very healthy, considering the things we went through," said secretary-treasurer Ray Majerus. "At the end of three months, we would have to find some mechanism to provide the insurance and also need to accommodate [the weekly payouts]. But we do have a borrowing ability. We have a great credit rating."

Informed labor-watchers say Majerus's talk of a long strike, or any strike at all, is just talk. The UAW leadership is among Walter Mondale's most ardent labor-movement backers. Mondale has a deal with the AFL-CIO's Lane Kirkland to avert or bust strikes between now and the November elections, so that Mondale is not put in a position of having to comment, and appear too pro- (or too anti-) labor.

Meanwhile, autoworkers like those at AP Parts in Toledo, major suppliers to GM, have been placed in a go-it-alone situation in the face of 1930s style union-busting, with scabbing and Pinkerton-style thug and police attacks on their picket lines. The UAW leadership has said and done nothing.

Unemployment

Labor Department with more fake figures

The U.S. Labor Department's Bureau of Labor Statistics announced June 1 that the nation's unemployment rate fell to 7.5% in May, the lowest it has been since President Reagan took office in 1981. The deluded President, preparing to leave for Europe, smiled and said again: "There are far more people working. We have created . . . millions of new jobs."

As *EIR* has repeatedly documented, actual unemployment is two to three times the BLS figures, which do not include the millions whose unemployment-benefits have run out, older workers forced into early retirement, young workers who have never "entered the labor force" because they couldn't find first jobs, or part-time employed, who are therefore part-time unemployed.

Last year, the BLS undertook the great-

est fraud in even its own history by simply dropping more than a million Americans in one month from the statistical "labor force"—the data base from which unemployment is calculated.

Even by BLS figures, the rate of factory employment—a rough version of the distinction between productive and non-productive "service" or bureaucratic operatives—did not rise at all.

EIR's forthcoming Quarterly Economic Report will provide more accurate estimates of unemployment, demonstrating its link to a continued decline in industrial output over the first quarter of 3-4%.

International Trade

Soviets find 'vulgar' India-Japan trade

An article in the pro-Soviet Indian journal, *Mainstream*, shows that the Soviet Union is by no means pleased over the prospect of an alliance between Asia's two most powerful democracies: Japan and India.

Entitled "Nakasone Visit: Danger Signals," the article says that "Nakasone upset the traditional politeness of addresses to joint Houses of the [Indian] Parliament by declaring with the vulgarity of a traveling salesman that he would be sending a delegation of private businessmen to see if Japan could invest profitably—or as he put it, to build upon the momentum of industrial cooperation. . . . Are we to believe that these exporters, joint-venture wallas, the future owners of Toyotas, Sonys, Nikons, and Yashikas, are going to be the builders of a new India?"

The article bitterly complains that Nakasone is trying to build a bridge to the Non-Aligned Movement: "What is the implication of a highly politicized community like the Non-Aligned group, developing extensive trade links with a free-enterprise state like Japan. . . with its extensive security links with the United States. . . Japan tied to the U.S. apron strings cannot be a bridge between North and South. First untie the knots, Nakasone."

● **DELFIN NETO** resigning? Rumors were rife in Brazil the last week in May that the beefy planning minister, who has long reigned over Brazil's monetary policy, was walking out in a pique over not being allowed to veto Brazil's membership in the four-nation debtors' cartel. The rumors have been denied.

● **THE JOURNAL OF COMMERCE** worried June 2 that Bolivia's debt moratorium will "add impetus to the unwelcome, Mexico-inspired Latin American debtors club. U.S. banks could be forced to reclassify Bolivia's debts as non performing."

● **THE FEDERAL RESERVE** says it can finance its current account deficit indefinitely. This wild assertion was made June 1 by Roger Kubarych, the vice president and deputy director of the Federal Reserve Bank of New York—after the United States announced a whopping \$40 billion trade deficit for the first four months of 1984.

● **CONTINENTAL ILLINOIS** stock is being virtually liquidated on the markets, trading at 5.5 at the close of June 1. Three weeks earlier, it was trading above 20. On the same date, Manufacturers Hanover stock had dropped down to 42% of its March 31 book value of \$62.32.

● **SIR GEOFFREY HOWE**, the British foreign secretary, will demand U.S. defense cuts at the London economic summit June 7. Howe said May 29, "Lower interest rates, smaller budget deficits, and more predictable exchange rates are essential if the non-industrial nations are to share in the recovery." As Chancellor of the Exchequer, Howe slashed government support to U.K. industry in 1979 and predicted a recovery that never came—earning him the sobriquet of Sir Geoffrey When?

Stopping the present spiral of worldwide financial collapse

by Lyndon H. LaRouche, Jr.

On June 1, 1984, Lyndon H. LaRouche, Jr. addressed the nation in a half-hour television broadcast over CBS network television. The transcript of that show, one of three such half-hour nationwide presentations made by Democratic presidential candidate LaRouche between May 31 and June 2, was made available to EIR by The LaRouche Campaign, and we reproduce it here in full.

ANNOUNCER: In a nationwide televised broadcast, on May 10 of this year, many of you heard Democratic presidential candidate Lyndon LaRouche's warning that the United States was on the verge of a new worldwide financial collapse, like that which occurred under President Hoover during the summer of 1931.

He told you that it was impossible to predict the exact date of a world financial collapse. He warned you that the collapse might begin next week, or might be postponed as long as into this fall, or, as a bare possibility, might not explode until early next year.

The next day, May 11, it was announced that the eighth largest bank of the United States, Continental Illinois, was at the edge of bankruptcy. Approximately a week after the Continental Illinois crisis began, the leading governments of Latin America announced the formation of a debtors' cartel. Then, on May 19, the thing which Henry Kissinger and the U.S. Treasury Department said could never occur, did occur. The governments of Mexico, Colombia, Argentina, and Brazil formed a debtors' cartel against the ruinous looting policies of the International Monetary Fund and the U.S. Federal Reserve. The thing that Henry Kissinger and top officials of the State Department and Treasury Department promised never would happen.

We . . . manifest our concern that the aspirations of our peoples to development . . . and the economic security of our continent are seriously affected by foreign acts. . . . [W]e call for a meeting . . . to the end of defining the most adequate initiatives and courses of action, with a view to reach solutions satisfactory to all the nations involved.



Vienna's Kreditanstalt bank shown three years before its collapse in 1931. Foolish optimists insisted then as they do now that a few technical adjustments would prevent economic catastrophe.

Tonight, the world, and you, your family, and your local community, are sliding downward toward the depths of the worst depression in modern history. President Reagan's Herbert Hoover prosperity has come to a screeching halt.

Yet, even after the first round of the new worldwide financial collapse has become headlines in the international press, top officials of the Treasury Department are still insisting that there must be no alteration of Henry Kissinger's monetary policies. On May 13, Treasury Secretary Donald Regan said:

We're in the midst of a solid economic recovery. . . . Our policies are now bringing the world results. The recovery overseas couldn't occur without our own economy turning up first. It has, so now others are recovering and the process has accelerated.

On May 24, another LaRouche-hater in the Reagan administration, Treasury Deputy Secretary Tim McNamar, said about the South American debt crisis:

My conversations with the Fund indicate that there is excellent progress down there.

And, a May 25 UPI wire quoted Treasury Undersecretary Beryl Sprinkel assuring everybody of an endless U.S. economic recovery:

We believe that there will be an upbeat [economic] summit in London. . . . President Reagan will be reaffirming the kinds of sound policies being pursued in the U.S. and encouraging other leaders to pursue

these elsewhere so that we can sustain the summit countries' current economic expansion. . . .

There is perhaps only one man who has the expert knowledge and will-power to bring the United States and the world out of the present spiral of worldwide financial collapse. If you care about your family and your country, millions of you will act now to make that man the next President of the United States. He speaks to you now: Democratic presidential candidate Lyndon LaRouche.

LaROUCHE: Those foolish officials who would try to say that there is no financial crisis, even after the collapse has begun, will try to tell you that the Continental Illinois crisis is only an isolated individual case.

It's true that certain powerful *foreign* financial interests did create a run against that bank, and it is also true that there were special circumstances which made it possible to organize such a run on that bank at that moment. The fact is that most of the banks of the United States could be hit by the same kind of crisis at almost any time. The reason that it was possible to plunge Continental Illinois into that crisis, is that the banking system as a whole is at the brink of collapse.

To recognize what the Conti Illinois crisis means, look back at the newspaper headlines from the time President Hoover was still promising that "prosperity is just around the corner." Look back for a moment to the newspaper stories of 53 years ago.

ANNOUNCER: The Hoover administration was saying:

“Worst Stock Crash Stemmed by Banks—Leaders Confer, Find Conditions Sound”

“Stocks Collapsed but Rally at Close Cheers Bankers; Bankers Optimistic”

Then, in September, 1931, the worldwide depression exploded into the headlines: “The Vienna Bank Has Collapsed!”

LaROUCHE: Like the Conti Illinois crisis of the past weeks, the collapse of the giant Wiener Kreditanstalt bank did not bring on the Great Depression of the 1930s all at once. Over the summer of 1931, foolish optimists, like those around Washington today, insisted that all would be well once a few technical adjustments took effect. The world waded through a crescendo of local financial crises throughout the summer of 1931. Then, in September of that year, the British pound collapsed. The Great Depression, Adolf Hitler, and World War II became the worldwide realities set into motion by the foolish governments and big financial houses of Washington, New York, and London.

The only important difference between the Great Depression of the 1930s and the new worldwide depression erupting today, is that unless we act now to stop this new depression, it will be far, far worse than any of you old enough to remember from the 1930s could remember. This depression can be stopped, and stopped right now, but only by a U.S. President strong enough to force savage reforms upon both the Federal Reserve System and the International Monetary Fund, as well as on that silly bureaucracy over at the State and Treasury Departments.

I could stop this depression right now, if I were your President. I could stop this depression right now, if President Reagan would allow me to guide his hands through this deadly crisis. I am personally fully aware of my personal limitations, but with all those limitations, there is no other presidential candidate who has the knowledge and intellectual toughness to lead our nation and the world out of the new world depression which began to erupt with the crisis of Conti Illinois on this May 11.

History has repeated itself. The same stupid mistakes made by the administrations of President Calvin Coolidge and President Herbert Hoover have been repeated by the administrations of Carter-Mondale and President Reagan. The policies which have led us into this new worldwide depression-spiral this past month are very nearly exact copies of the policies of the Coolidge and Hoover administrations; the policies of Paul A. Volcker and Donald Regan, which have sent us plunging into a new worldwide financial collapse, are copies of the stupid policies of Hoover's Secretary of the Treasury, Mellon.

Not only have the Carter-Mondale and Reagan administrations learned nothing from the way in which Coolidge and Hoover brought on the Great Depression of the 1930s, the leading circles in Washington and the international banking community have listened to and have rejected repeatedly

my forewarnings of exactly what has happened during the month of May.

The LaRouche-Riemann forecast

As many of you know, I am the designer of the LaRouche-Riemann quarterly economic forecast for the United States. Over the period from November 1979 through the end of 1983, this published forecast has been consistently the most accurate forecast published anywhere in the world. During the same period, the published forecasts of the U.S. government have been consistently absurd, and other published forecasts of private forecasting agencies correct only for a few isolated quarters.

In other words, these governmental and financial circles have been continuing a policy leading directly to the disaster which erupted this May, although they knew that the world's most accurate forecasting service had warned repeatedly that this new financial collapse would occur during the first half of the 1980s unless present Federal Reserve and IMF policies were drastically reformed.

It's a matter of record, that during October of 1979, in the early period of the 1980 Democratic presidential primary-campaign, I issued a statement nationwide which warned that continuation of the policies just announced that month by Paul Volcker and Jimmy Carter would lead to the outbreak of a major recession during the spring of 1980, and would lead to a new world depression during the course of the years beyond.

In November of that year, the first LaRouche-Riemann quarterly report was issued, projecting the first major signs of a downturn in the U.S. economy to erupt by about the end of February 1980. That downturn appeared on time, as forecast. At the beginning of 1980, my colleagues and I presented a more detailed forecast of the way in which continuation of the Carter-Volcker policies would lead in the direction of a new worldwide depression. At every step over the period since November 1979, the U.S. economy has followed exactly the pattern we forecast at the beginning of 1980.

We warned that a continuation of the Carter-Volcker policies would lead into a new depression through a series of recessions and temporary apparent upturns. As we forecast, the first recession covered the period from February through the summer of 1980, and was followed by a temporary leveling-off of the recession until the summer of 1981. Between the summer of 1981 and the fall of 1982, a deep and accelerating new recession occurred, followed by a leveling-off of the rate of recession from the beginning of 1983 into the beginning of 1984. Since the first quarter of 1984, a new, accelerating recession has been underway, leading us into the May outbreak of the international financial crisis.

In other words, at the end of 1979 my colleagues and I forecast that unless the policies of Carter and Volcker were dumped, the United States' economy would go through a series of roller-coaster-like ups and downs until we reached the threshold for a worldwide financial collapse like that



NSIPS/Stuart Lewis

I could stop this depression right now, if I were your President. I could stop this depression right now, if President Reagan would allow me to guide his hands through this deadly crisis.

*Shown is Lyndon LaRouche during his just released two-and-a-half hour videotape titled *The Power of Labor*.*

which set off the Great Depression in 1931. President Reagan continued the policies of the Carter-Mondale administration; so, we have now entered a new financial collapse-spiral, in exactly the way my colleagues and I have repeatedly forecast since the end of 1979.

I must emphasize that both Washington and the international banking community have not only been fully aware of my forecasts; they have insisted, sometimes almost violently, that my analysis was wrong. Events have now proven that I have been correct, and that they have been blind fools of the sort who refuse to learn anything from the history of the last Great Depression.

The 'debt bomb'

Just to pin this point down for you, look at my record on the issue of the debtors' cartel just formed by the governments of Mexico, Colombia, Argentina, and Brazil.

Toward the close of 1981, I warned that the foreign debt of the countries of Ibero-America was about to explode. I recommended that these countries, and the Reagan administration, take a series of cooperative actions to prevent that debt crisis from exploding.

During the spring of 1982, I was the first to use the term "debt bomb," to describe the debt crisis which was about to explode. During June and July of that year, I conveyed to various governments of Ibero-America and to our own government my recommendations for immediate action to prevent this debt crisis from triggering a collapse in the solvency of the U.S. banking system and thus triggering the conditions for a new worldwide financial collapse.

During August 1982, the "debt bomb" exploded in Mexico. For a period of approximately an hour that month, the entire world financial system was on the edge of a total collapse.

However, the Reagan administration refused to accept

my proposals, which could have stopped the world financial crisis right at that time. Instead, the Reagan administration brought in Henry A. Kissinger and adopted Kissinger's policies. My proposal for solving the financial crisis of the Western Hemisphere is called Operation Juárez. This is the name of a report which I prepared at the request of leading circles in South America and Mexico, a report which I submitted to those governments and to our own government at the beginning of August, just weeks before the Mexico crisis exploded. Since August 1982, Henry Kissinger, Kissinger's associate Lane Kirkland, and officials of the State and Treasury Departments have concentrated the major part of their political efforts in Washington and in Mexico and South America in an effort to prevent the policies I present in Operation Juárez from being adopted.

These collaborators of Kissinger have been insisting around the world that they have stopped Operation Juárez's policies, and that the governments of Mexico and South America would never organize a debtors' cartel. On May 19, following the crisis of the Continental Illinois Bank, the four leading nations of Ibero-America organized the debtors' cartel, and announced policies echoing those presented in Operation Juárez.

The new depression which erupted this May could still be stopped. For example, if President Reagan would enact the same policies which I shall list for you at the close of this broadcast, and do that right now, he could stop the depression. Since I am a patriotic citizen of this country, he would have available to him all of my special expertise and my personal influence in other countries to assist him in making his efforts a success. Every patriotic Democrat would demand that I act to assist President Reagan in that way, and I would accept that demand of my patriotic fellow Democrats.

This would be personally very difficult for the President to do politically. This would mean that the President would

have to make a break with Henry Kissinger's circles, and also break with key factions in the State and Treasury departments, as well as with his own White House "Palace Guard." I do not know whether President Reagan is able to rise above the pragmatic delusions of an election-campaign year. On the basis of his performance over the past 12 months, I fear that his tendency for opportunistic wishful thinking would lead him to the kind of disaster which brought down Herbert Hoover in 1932.

In that case, the only hope that the United States might get out of the depression is placing me in the White House next January.

If Mondale or any other of the candidates approved by Mrs. Pamela Churchill Harriman were to become President, there is more than a hundred percent certainty that the United States will be virtually destroyed as a nation by the combined effects of a new world depression and Soviet aggression. With all my personal limitations, of which I am far more conscious than any of you could be, I am the only possible choice for President of the United States, unless we could assume that President Reagan himself would change course drastically right now. If President Reagan is not willing to constitute a bipartisan emergency government of the patriotic factions of both parties, to implement the kinds of measures I shall list at the close of this broadcast, I must become President of the United States next January.

A tough decision

You, as you watch and listen to this broadcast, wherever you are sitting or standing at this moment, you as an individual citizen of this republic, are facing one of the toughest decisions in your life. You must ask yourself the question, "Is putting this guy into power in Washington, the only choice I have, if I do not wish to put our country and my family through another Great Depression, worse than the one of the 1930s?" Whether you or I like that question or not, it is the question you are facing. This is the tough question every sane voter must face, during this primary election.

The thousands of Democratic convention delegates, and the millions of you watching this broadcast today, represent the political power to put me into the position in Washington, D.C., where I can provide my proven expertise to steer this country of ours out of this new "Herbert Hoover" depression.

I shall report to you now the main elements of the package of Executive Orders and Emergency Legislation I would issue within the first hour after being sworn in as your next President.

EXECUTIVE ORDER #1

Effective immediately, all new issues of U.S. currency shall be secured in value in international markets with gold-reserve denomination, pricing monetary gold in international markets for this purpose at \$750 per ounce.

EXECUTIVE ORDER #2

A state of national, monetary, and economic emergency exists. The powers of the Federal Reserve System:

- 1) to issue currency in its own name and at its own discretion;
 - 2) to set interest-rates;
 - 3) to operate an inflationary "Keynesian multiplier" in the central banking system;
- are herewith suspended for the duration of the Emergency.

Moreover, the practices of the Federal Reserve System in these suspended activities are discovered to have been in violation of explicit and implied specifications of Article #1 of the U.S. Constitution. Regulation of national policy in these matters herewith reverts to the agencies specified by that Constitution.

DRAFT PUBLIC LAW

In accordance with Article 1 of the U.S. Constitution, and in response to the national monetary, economic, and national-security emergency existing, the Congress authorizes the President to proceed to effect a new issue of \$500 billion of U.S. Treasury currency-notes, and to suspend all prior legislation which might be construed to impede implementation of this action.

1) These currency-notes, as issued by order of the Executive Branch, shall be distributed solely in the form of loans for approved categories of lending.

2) These currency-notes shall be loaned according to instructions of the Executive Branch, through the discount functions of the reformed Federal Reserve System.

3) The charge to regulated banking institutions for use of these monies borrowed for approved categories of lending shall be not less than 2% per annum and not more than 4%. The banks may add reasonable service-charges for administration and incurred related costs of risk, as such rates may be within reasonable limits stipulated by the Executive Branch.

4) There are five categories of lending for which these issues may be used:

a) Loans to the federal government for emergency defense-expenditures.

b) Loans for investment in repairs and improvement of basic economic infrastructure, to federal, state, and local governments, and to government-regulated authorities and utilities.

c) Loans to farmers for capital improvements in land and equipment, and for crop and livestock production and marketing loans.

d) Loans to industry producing physical goods for capital improvements in production capacity for research, and for operating capital of production and

marketing of such goods.

e) Export-financing credit for hard-commodity exports and engineering services.

DRAFT PUBLIC LAW

Emergency legislation, mandating the authorization of an estimated \$200 billion to be expended over a period of four years, to develop and to deploy a first generation of strategic ballistic missile defense, using means called "new physical principles," within that period of time.

DIPLOMATIC ACTION

The heads of government, and or their designated plenipotentiaries, of the Ibero-American member-states of the Organization of American States, are herewith invited to an emergency meeting to be held at Camp David, for the purpose of adopting a Draft Memorandum of Policy-Agreement covering two areas of relations with the United States of America.

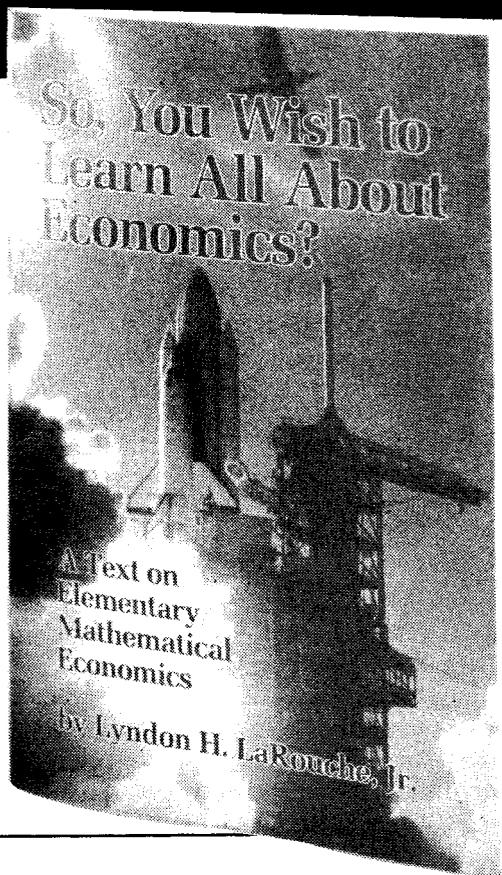
The first item shall be measures for rescheduling the payment of outstanding debt to the government and nationals of the United States. It is proposed that action be taken on the basis of the Executive Order reestablishing the U.S. dollar's gold-reserve basis, and that issues of schedules of bonds, denominated at low

interest-rates, and within gold-reserve terms, be adopted as the form of financial asset suited to be exchanged for, and replace currently outstanding debt.

It is proposed, on the same point, that member-states reaching accord on debt-reorganization adopt policies, methods, and procedures of cooperation for such case as a participating member-state may find it necessary to institute measures of comprehensive currency reforms prior to issuance of new denominations of debt-obligations.

Within the setting of debt-reorganization actions, it is proposed that new guidelines for cooperation in mutual trade among the parties be adopted, consistent with the desire of the United States to supply capital-goods exports needed for development of the internal economies of other states, and the desire of such other states to secure more efficient access to such technologies.

LaROUCHE: Unless President Reagan is willing to implement these emergency-actions immediately, the only hope of you and your family is to make certain that I am President of the United States this coming January. My colleagues and I shall do everything in our power to make that happen. Do you care enough about our country, about your family, to do your part, too?



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Soviets train their sights upon West Germany

by Konstantin George

The pattern of Soviet threats and military moves against the West has increased to a threshold not seen since the Berlin and Cuba crises of the early 1960s. On May 20, Soviet Defense Minister Dmitri Ustinov, "interviewed" by TASS, announced that the Soviet Union had made good its threat to heavily increase the number of missile submarines off the U.S. east coast: "Our missiles can now reach U.S. targets in less than 10 minutes." The London *Daily Express* has since reported that U.S. intelligence services have verified that at least three Soviet Yankee Class nuclear missile submarines had joined the squadron of Delta Class nuclear missile submarines on patrol off the U.S. east coast.

Ustinov also restated the earlier Soviet announcement that new, 625-mile range SS-22 missiles have been stationed in East Germany, adding that they have also been stationed in Czechoslovakia. These missiles, capable of hitting most of France and Great Britain, are above and beyond the continuing buildup of the SS-20 missiles, with over 250 launchers stationed in the European part of the U.S.S.R. and over 150 in Siberia and the Soviet Far East, to say nothing of the near completion of the Soviet program to station the new 300-mile range SS-23 and 70-mile range SS-21 missiles in East Germany and Czechoslovakia. The United States, in contrast, has a mere 18 Pershing II missiles in place in West Germany (the timetable months behind schedule due to alleged "production delays") and 16 ground cruise missiles each in Britain and Italy. No additions are expected before September.

The Russians' colossal missile buildup has just begun, as Ustinov proclaimed that the number of Soviet missiles will be increased "in the Soviet Union and in Eastern Europe . . . with each additional shipment of Pershing and cruise missiles." NATO aerial reconnaissance has already spotted operational SS-22 sites in both East Germany and Czechoslovakia.

The scope of the Soviet military buildup in East Germany in the last six months, where 20 Soviet divisions are stationed, is indeed alarming. The West German daily *Die Welt* on May 29 cited figures on the Soviet buildup, disclosed by Willi Wimmers, a Christian Democratic member of parliament with access to Western intelligence reports documenting the Soviet military and logistical growth. Wimmers reported that as of March, three of the four Soviet armies stationed in East Germany, the 1st and 7th Guards Armies, and the 3rd Assault Army headquartered in Magdeburg (identified previously in *EIR* as the spearhead shock troops in any future blitzkrieg move against West Germany) had been equipped with the modern precision tactical nuclear missile of 70-mile range, the SS-21, replacing the older FROG class of missiles. By now, three months later, it is expected that the SS-21 deployment has been completed which would give the Russians 482 SS-21 missile launchers in East Germany alone, plus minimally another 100 SS-21s with the six Soviet divisions stationed in Czechoslovakia opposite the West German state of Bavaria. In contrast, the U.S. forces in West Germany have a grand total of 36 Lance missiles, the rough equivalent in range and firepower to the SS-21.

Wimmers also catalogued the Soviet armed forces' logistical buildup, clearly pointing to war preparations. In the past year all 34 fuel depots belonging to the Soviet military in East Germany have been expanded, while seven new ones have been constructed. Ammunition stockpiles have been more than doubled with all nine existing main ammo dumps being significantly expanded in size and seven new ones built. The gross increase is much larger when one takes into account the large amounts of munitions and fuel expended from December through March in the unprecedented volume of both ground and air exercises, plus a big jump in the amount of flight training time mandated for both fixed-wing

combat aircraft and the large helicopter fleet stationed in East Germany.

In addition to the stationing of the new surface-to-surface missiles, the SS-21s, SS-22s, and SS-23s, the Soviets, under the operational control of their Western Military Command in Kiev, have just installed four batteries of the 190-mile range SA-5 Surface-to-Air (SAM) missile on the East German island of Rügen in the Baltic. These nuclear-capable missiles can reach Lübeck, West Germany (the capital of Schleswig-Holstein, the northernmost state of West Germany), or the southern part of Sweden. Rügen, a heavily militarized island, is also the site of one of East Germany's special commando Air Assault Brigades, designed for behind-the-lines seizure and disruption operations in a blitzkrieg or "surgical strike" against Denmark and Schleswig-Holstein.

The danger of such a "surgical strike" into West Germany is no academic "war games" matter. On May 22 the Bundesgrenzschutz (West German border troops) Command reported that border troops of the East German Army have cleared a total of 20,000 land mines since March, making a stretch of border 4.5 kilometers long totally free of mines. The tempo of exploding mines has increased lately, with the Bundesgrenzschutz reporting that over 2,000 mines exploded on May 20 and 21 alone. Experts contacted on this development, while not sure of the reason for the East German actions, affirm that such moves would be undertaken "to prepare an invasion corridor."

'A new situation in the North Sea'

Any Warsaw Pact invasion against NATO's weak and vulnerable Northern Flank (Schleswig-Holstein, Denmark, Norway) would require well-coordinated deployments of the Murmansk-based Soviet Northern Fleet and the Soviet Baltic Fleet, including the satellite East German and Polish navies in the Baltic. This coordination is now being perfected in an ongoing Warsaw Pact naval maneuver in the Norwegian Sea between the Shetland Islands off the north coast of Scotland and the Lofoten Islands off the northern Norwegian coast.

These maneuvers began on May 15 when two Russian guided missile frigates of the Krivak Class, together with an East German guided missile destroyer of the Koni Class and a Polish guided missile destroyer of the Kotlin Class left the Baltic to hook up with units of the Soviet Northern Fleet for joint maneuvers in the Norwegian Sea. This marks the first time in history that units of the satellite navies have participated in exercises outside the Baltic Sea. The exercises, like the recent large-scale ones conducted by the Soviet Northern and Baltic Fleets in the same area (the biggest ever held in the North Atlantic), involved extensive use of Soviet land-based bombers in coordination with the fleet, in the vicinity of the Lofoten Islands.

Danish military sources quoted in the Danish newspaper *Berlinske Tidende* expressed their alarm: "We are faced with a completely new situation in the North Sea. Never before

has there been such close military cooperation between units of the Baltic and Northern Fleets [referring to the satellite participation] . . . the Krivak I Class are some of the newest Soviet frigates, 3,000 tons, armed with anti-ship and anti-aircraft missiles, twin-barreled 76mm guns and eight 533mm torpedo tubes. . . . All the ships involved have extensive missile firing power, nuclear or conventional."

The exercises also highlight the emergence in recent years of East Germany as the top satellite naval power. Attention was drawn to this phenomenon by Stefano Silvestri, director of the Rome-based Italian Institute for International Affairs, writing for the Italian weekly *Europeo*. Silvestri describes how the East German Navy, the Volksmarine, has grown in recent years from a navy consisting exclusively of coastal patrol craft for operational use in the Baltic, to a significant ocean-capable war fleet featuring newly acquired Soviet-made guided missile frigates and guided missile destroyers. The East German Volksmarine has now surpassed the Polish navy in size and firepower, making it the number one satellite navy in the Warsaw Pact.

Appeasement never pays

Petra Kelly, leader of the radical anti-industrial Green Party of West Germany, who openly espouses pulling Germany out of NATO and the removal of all U.S. forces (which would guarantee Soviet control and occupation of all of Germany), recently wrote a letter to Soviet President Konstantin Chernenko asking him to spell out the conditions under which he would not use nuclear and chemical weapons against West Germany in wartime. Chernenko's reply, reminiscent of the fabled dialogue in children's tales between the wolf and the lamb, amounted to a command to "get rid of the Americans": "The conditions, as we see it, boil down actually to one: On no account should the Federal Republic of Germany ever become a bridgehead for the preparation and perpetration of aggression against the U.S.S.R. and its socialist allies with the use of the means of warfare which you mention [chemical and nuclear warfare] or other ones. This way your country can be fully assured that nothing threatens it."

The problem in West Germany has been that these Soviet threats have been met with appeasement. Let the recent visit of West German Foreign Minister Hans-Dietrich Genscher to Moscow serve as a lesson on this score. As even German TV broadcasts commented after the visit, "the foreign minister achieved nothing in Moscow—apart from banging his head against the Kremlin Wall."

Moscow's intended "solution" for West Germany, should appeasement continue, was manifested during the recent visit to Moscow by North Korean Party boss, Kim il Sung, his first appearance in Moscow in 23 years. As Chernenko stressed to Kim, the "Honecker" of that other divided country, whose free part remains so because of the U.S. troops stationed there, the Soviet Union demands "all U.S. troops pull out" to achieve "Korean reunification." This is also Moscow's script for Germany.

'Defend Europe from invasion today'

Colonel Marc Geneste is a 25-year career officer with the French Army who served in World War II, Indochina, and Algeria. Currently vice president of the Center for the Study of Total Strategy in Paris, Geneste is known as the father of the French neutron bomb, which he developed while working for the French Atomic Energy Commission. He is a member of "La France et son Armée," an association formed in 1983 to build European support for the U.S. beam-weapons defense program, as part of an overall defense concept for Western Europe.

Geneste toured the United States in April speaking on behalf of this concept, and was the guest of Lyndon LaRouche's presidential campaign for several public meetings focused on the defense crisis and the urgency of the beam program. He was interviewed in Paris by François Bierre.

EIR: It is now 40 years since D-Day and the liberation of Europe. What do you think is the lesson we ought to draw for our situation today in the West, and in Western Europe?

Geneste: The situation today is totally different, politically and militarily. The "liberation" of Continental Europe (assuming it would be occupied by the Warsaw Pact) would be infinitely more difficult, if not impossible, for two basic reasons:

1) In 1944, the Germans were fighting on two fronts. The bulk of the *Wehrmacht* was tied down in Russia. Nobody knows if Operation Overlord would have succeeded against Germany if the Atlantic Wall had been defended by all of Hitler's strength.

2) Forty years ago, military technology favored offense over defense. Namely, all static defenses like the Maginot Line or the Atlantic Wall could be "saturated" by the concentration of attack: armored divisions, firepower, airborne or seaborne assaults. Conventional warfare favors offense.

Today, the fantastic vulnerability of the main tool of offense—the soldier—to nuclear radiation changes the whole picture. For instance, three neutron shells could wipe out all the soldiers landed on D-Day on Omaha Beach without bothering the defenders in their concrete bunkers. Two dozen

would wipe out all of Eisenhower's forces landed in Normandy after one day of fighting. To say nothing of the vulnerability of surface ships concentrated in the channel! I think that in 1984, such an assault would be physically impossible. In other words, we had better prevent the Soviet Army from boarding the European coastline. Better to prevent invasion of Western Europe, which requires all the strength of the alliance, and no "decoupling" of course.

EIR: How would you view the spreading pacifist tendencies in Western Europe in light of this anniversary of D-Day?

Geneste: The "pacifists" have to think about this military fact. If Europe is invaded, it will be for good. . . . Pacifism is not the best tool against invasion. Remember Chamberlain's "peace in our time."

EIR: Western Europe was liberated then, but what does Soviet conventional and nuclear superiority mean for Western Europe today? What are the tasks facing the West?

Geneste: Soviet alleged conventional and nuclear superiority means today the military capability of taking over continental Europe, if we play the current NATO game. The only way to cope with this threat is to exploit the Achilles heel of their military power, which is the vulnerability of offense to the modern tools of defense. Namely, neutron bombs against land forces and beam weapons against missiles. This is the best deterrent, provided modern technology is clearly backed with the political will to use it, which is not the case today. . . .

EIR: The tactics applied in World War II are thus completely inappropriate to the defense of Western Europe today, but there are apparently widespread illusions in Western Europe which lead, particularly in the Federal Republic of Germany, to tirades of rejection against the U.S. beam-weapon program for the defense of Europe. What would you say is the basis of these illusions, and how is that relevant to the lesson of D-Day?

Geneste: The "conventional deterrent" currently proposed by the United States and apparently widely accepted in some European quarters, especially in Germany, is a suicidal fallacy. It has been the dream of Soviet planners for 30 years to get rid of the threat of NATO tactical nuclear weapons, which have been their nightmare. Their crusade against the "N-bomb" has delayed the building of this defensive asset against land forces for more than 20 years. Today they strive to delay as long as possible the deployment of weapons able to nullify the political and physical power of SS-20s. It is a shame to see that they find so many allies in our own ranks. . . ! Our duty, for the sake of peace, is to defend Europe from invasion, and to defend the Russians from temptation to use their crushing military power. The only cheap solution has to be found in modern military defense technologies. . . . It is as simple as that!

Italians, Americans fought for freedom

by Col. Patrizio Flavio Quinzio

The author is professor of Military History at the School of Materiel Command of the Italian Army.

In the first two days immediately following the day of the sudden announcement that an armistice had been signed between Italy and the British-Russian-U.S. Allies, 3,000 Italian soldiers fell fighting against the Nazis in Corsica, Greece, and Yugoslavia.

On Sept. 9-10, 1943, Italian divisions saved the port of Bari from destruction and kept the Germans from occupying it. Only in the days that followed did the first motorized patrol appear at its blockade post of Polese. On Sept. 28 the Italian First Motorized Group was constituted in San Pietro Vernotico, which entered into action at Monte Lungo on Dec. 7, 1943. It underwent a cruel baptism by fire the next day. The Italian armed forces thus returned together, after so many dark trials, to success, and regained the trust of their old allies of the First World War.

The battle of Monte Lungo was the test which assured the holding power of Italian units and permitted them to retain Sardinia and re-occupy Corsica.

This dawning phase of the new Italian army was to receive the light of a second success, Monte Marrone, taken on March 31, 1944, with an action which was the first to punch a hole in the Gustav Line, a task in which the French and Moroccan troops had been unsuccessful up to then. This action opened up the way to Rome for the first time, by conquering Monte Mare, Piccinisco and the suburbs of the key position of Otina.

Worries connected to the heavy pressure exercised by the Germans against the beachhead of Anzio dissuaded General Alexander however from throwing his forces against the Liri valley, which would have thus unlocked the formidable bolt of Monte Cassino, liberating Rome and threatening to cut the road of retreat of the German forces fighting on the perimeter of the Anzio beachhead.

A fatal circumstance induced yet a different approach, aimed at joining the allied forces which had landed at Anzio

on Jan. 22, 1944 with those coming from the Gustav line before proceeding on Rome.

The liberation of Rome

When Gen. Mark Clark enters Rome on June 4, 1944, the landing in Normandy (D-Day) is at the doorstep. In the Far East, American victory is taking shape, and on the Eastern European front, from Byelorussia to the Ukraine, the biggest general offensive in history is about to be unleashed.

The reborn Italian army is already fighting on the Adriatic front, competing in valor with its ex-adversaries of the Eighth British Army. Once Rome is taken, everything seems to precipitate. The old King Victor Emanuel III abdicates, and the Badoglio government which had succeeded the fall of Mussolini and Fascism steps down.

Italians rediscover their national spirit, and the movement which will carry Italy toward its present democratic and republican institutions starts to come into being.

The repercussions around the world are enormous. For the first time in history an American general enters a European capital as victor, welcomed by applause, a popular liberator. And this capital is the oldest and most prestigious of all, Rome. The two other capitals, Berlin and Tokyo, understand that the clock fated to signal the hour of their defeat is inexorably ticking away. In the occupied capitals, from Paris to Prague to Warsaw, people prepare to await their hour of freedom. Once again, the old, sacred fear which links every occupation of Rome to profound historic upheavals begins to spread: the birth or death of new empires.

Hannibal himself, rather than attempt to occupy the city, had preferred to push on horseback to the lowest point in the walls, trample with his horse's hooves what was called "Campo Infame" (Field of Infamy, located right behind the walls where Vestal Virgins who had lost their virginity were buried alive), and launch javelins inside the walls, with strips of cloth tied to them on which horrible threats and curses were written.

An old proverb, which is not just Italian, says that victory has many fathers, while defeat is an orphan. General Clark died almost on the eve of the 40th anniversary of his entry into Rome, but his name, setting aside the dispute on the general conception of the operations in the Mediterranean, figures with full rights among those of the fathers of the victory in Rome.

For the first time definitively united in the struggle against Nazi tyranny were Americans, Englishmen, Frenchmen, and Italians, as they had fought together once before against the central empires during World War I.

It was almost a prelude to the Atlantic Alliance, which still today sees free peace-loving peoples join forces to defend themselves from that which, for thousands of years now, Western civilization has seen as the worst of evils: the loss of liberty.

EIR intervenes in Dutch security crisis

On May 23, *EIR* held a seminar on beam weapons and their strategic significance for Western Europe at The Hague, the capital of the Netherlands. Attended by more than 30 representatives of the country's top military, political, and industrial institutions, the seminar brought the question of beam defense into the middle of the Dutch crisis over the deployment of cruise missiles.

Participants were briefed by Dr. Jonathan Tennenbaum, editor of the German-language *Fusion* magazine, on directed-energy technologies, and heard a presentation on the devastating capabilities of the neutron bomb to stop Soviet armored formations by Col. Marc Geneste, retired officer of the French Army and now of the Center for the Study of Total Strategy, Paris. *EIR* contributing-editor Michael Liebig presented the current strategic crisis and decoupling tendencies in the Atlantic Alliance. *EIR* military analyst Dean Andromidas outlined the role of Henry Kissinger and his accomplices in attempting to sabotage the U.S. Strategic Defense Initiative.

The discussion period was dominated by questions on why the United States has not been more forthcoming with technical information, what this approach means for East-West relations, what were the technical capabilities of the beam-defense system, and how this will affect the cruise missile debate in the Netherlands.

The seminar marked *EIR*'s first public event in this country, giving *EIR* its first on-the-scene impressions of this troubled member of the Atlantic Alliance. At first glance the Netherlands might appear as merely one of the smaller members of the Alliance, with a peace movement large enough to exert dominating influence on the country's defense policies. However, the Netherlands was found to play a larger role on the strategic map of Western Europe than its comparatively small size suggests.

Dutch play key defense role

Scheduled to deploy 16 cruise missiles by 1986, the Netherlands lies on the North Sea and is responsible for several military tasks that are crucial to the North Atlantic Alliance. Its navy has considerable anti-submarine warfare responsibilities in the North Sea, and in guarding the crucial entrance to the Baltic Sea, the huge Soviet navy's entrance to the North Atlantic. Other naval tasks include tracking Soviet ballistic-

missile-carrying submarines that threaten both the coast of Europe and the United States. Its army and air force, though small, have a capacity to deliver nuclear weapons by aircraft and artillery. This is a fact of tremendous importance, considering that in time of war the Dutch army's zone of operations would be northern Germany, currently the zone of operations of the German Bundeswehr, an army prohibited by international treaty from possessing nuclear arms. This northern flank of NATO is currently under tremendous Soviet pressure.

Furthermore it is a center of a technologically very advanced electronics defense industry and research establishment, as evidenced by the attendance at the *EIR* seminar of representatives of seven research laboratories.

The political deadlock over the cruise deployment is being orchestrated by Soviet channels of influence operating through the Interchurch Peace Council and pro-decoupling tendencies that cross all party lines from the far left to the far right. The June 1 cabinet decision to delay deployment of the U.S.-made nuclear missiles until 1988, unless developments in U.S.-Soviet arms talks require otherwise, makes the fall of the center right government of Prime Minister Ruud Lubbers a strong possibility. Moreover, the Dutch decision may trigger a chain reaction in the alliance, particularly affecting Belgium, Italy, and West Germany.

Despite reports of the strength of the peace movement and popular opposition to the missile deployment, *EIR* found a significant faction in the military as well as veterans' organizations and traditional conservative layers deeply involved in building a popular opposition to the decouplers. Many in these circles are linked to Prince Bernhard, the former Inspector General of the Netherlands Armed Forces. It was called to our attention that a recent article in *EIR* dealing with Henry Kissinger's European tour characterized the Prince as a Nazi collaborator. Although the Prince is associated with such organizations as the Bilderberg group, the World Wildlife Fund, and other organizations whose zero-growth orientation is demonstrably against the interests of Western industrial society, the characterization of Bernhard as a Nazi collaborator cannot be reconciled with the fact that he was head of the Dutch Army in exile and the head of the wartime official resistance organizations.

The real test facing the Netherlands is not just the cruise missile deployment decision, but whether an approach to a forward looking policy represented by beam weapons will serve as a basis to defeat the "peace" movement and growing tendency toward appeasement. The deep interest in this approach is evident in the turnout for the seminar. It apparently did not go unnoticed by the anti-beam-weapon clique in the U.S. State Department, which reportedly sent a representative to the Netherlands Defense Ministry only two days after the seminar to tell Dutch officials that the U.S. Strategic Defense Initiative was only a "research" effort and did not represent any change in U.S. strategic doctrine.

Gulf trap closing on the United States

by Thierry Lalevée

As the NATO foreign ministers meeting concluded May 31 in Washington, it became obvious that the United States is turning the Gulf crisis into its own monkey-trap. Under the psychological stress of the Lebanese disaster and the upcoming presidential election, President Reagan has simply decided to pray to the stars that nothing will happen, and has committed the last remaining months of his administration to maintaining the monstrous inheritance of Jimmy Carter, the Khomeini regime.

The *London Times* wrote bluntly May 30: "The administration is still hoping that intervention in the Gulf will come after rather than before the November Presidential elections." Investigations reveal that treachery is going a long way to ensure the status quo up to November. Under the pressures of the crowd around Henry Kissinger, the White House has sought an agreement with the Soviets that neither superpower become involved in the Gulf. This was negotiated between the two embassies in Washington and Moscow, but secretly too during the high-level delegation in mid-May led by top Moscow "U.S. handler" Georgii Arbatov and the director of Moscow's Oriental Institute Yevgenii Primakov—the same man who, together with Politburo member Gaidar Aliyev, controls 12,000 Soviet-trained mullahs and agents inside Iran.

Moscow's bid for control

Though Washington seems to have gone far to appease the Soviets, Moscow's response is not known. A hint is given by the high intensity of talks between Moscow and its main Middle East ally, Hafez al Assad's Syria. Hafez's brother, Col. Rifaat al Assad, flew on May 28 to Moscow, where he gave Prime Minister Tikhonov and Politburo member Kuznetsov a "first-hand, eye-witness report on the Gulf crisis," while denouncing "America's aggressive designs toward the Gulf," wire reports say. Rifaat's first-hand report was based on the May 24-26 visits to Iran and Saudi Arabia of Syrian Vice President Khaddam and Foreign Minister Al Shara.

In Teheran, the Syrian mediators presented a Soviet message to the Iranian leaders promising Moscow's increased neutrality in the conflict and its desire to restore good relations between Iran and Iraq. Armed with a similar Soviet "good will" message in Riyadh, Khaddam made an astonishing proposal detailed in the May 28 issue of *Tishrin*: "Only

the Syrian armed forces can guarantee the security and sovereignty of the Gulf countries." Clearly agreeing, Saudi King Fahd let it be known that on May 28 he had sent a message to Iraq's President Saddam Hussein, urging if not ordering him to stop attacking the Iranian oil installations and passing tankers. Desperate for help, the Iraqi ambassador to the United Nations announced that the "Soviets will deliver the new equipment to us" enabling Iraq to "destroy the Kharg Island terminal," and spread the rumor, which the Soviets were careful not to deny, that such new weapons would be middle range SS-21 missiles.

America's unofficial involvement

The Gulf crisis will soon look like a horrible nightmare for Washington. Attempts by the United States to get the Saudis to defend themselves and to avoid direct American involvement have already started backfiring. The 400 Stinger missiles, generously sold for some \$40 million, will require an increased American presence of some 40 instructors. If Iran wants to test the missiles' effectiveness by attacking tankers near the Saudi coasts, they will quickly prove useless with their 4.5 km range. Afraid of confronting the Iranian air force, the Saudis have rejected Kuwaiti demands to provide air cover to the tankers.

Creating embarrassment in Washington, Kuwait then publicly asked for U.S. Stinger missiles, too. The *London Times* of May 30 revealed that the American destroyers based in Bahrein, the USS John Rodgers and Boone, were already involved in protecting convoys of tankers. "This unofficial and unacknowledged protection is given no publicity in Washington . . . but it exists nonetheless," wrote the *Times*, leaving open the question of what would happen should a tanker be hit while "unofficially protected" by an American destroyer.

Indeed, Washington is again falling into the trap of not doing enough out of fear of doing too much—a trap used by the British to increase their own standing and political stature within the alliance. The same *Times* noted that Washington is pressing ahead for greater French and British participation in the hope that "it might allow Mr. Reagan to 'stand tall' again." This has a price, which a British team discussed for a week in Washington before British Foreign Secretary Sir Geoffrey Howe arrived. Howe, obviously not satisfied with what could be gained in a more public foreign ministers' conference, arrived in Washington 48 hours early to meet Shultz, Weinberger, and Reagan alone. No wonder that the NATO foreign ministers' meeting concluded with empty rhetoric.

As Iraq relaunched a new wave of attacks against tankers on May 31, on the eve of an expected Iranian ground offensive against Baghdad, there is little basis for hope of limiting the crisis. The only way out is for the Reagan administration to blow up the game itself, and take immediate and decisive action against the dark ages regime of Iran.

A neocolonial scheme to destroy Asia

Washington bureau chief Richard Cohen, in the first of a two-part series, analyzes the gameplan behind the State Department's new "Pacific era."

The concept of a Pacific Basin Community (PBC) is currently being advertised by leading elements of the Anglo-Swiss banking aristocracy as the new investors' Shangri-la—an area of the world that has weathered the economic shocks of the 1970s and early 1980s, holding on to relatively high growth rates, low wage scales, and a limited degree of protectionism compared to the protectionist devices imposed by Western Europe during the recent period.

Since late 1983, senior spokesmen for the U.S. Department of State, notably Lawrence Eagleburger, the recently retired undersecretary for political affairs and a close associate of Henry A. Kissinger, have publicly heralded the dawn of the Pacific era. In a speech in Washington in February 1984, Eagleburger emphasized, "what I would have to describe as the shift of the center of gravity of U.S. foreign policy from the transatlantic relationship toward the Pacific Basin and particularly Japan." Eagleburger's statements signaled an acceleration of the State Department drive to use the Pacific Basin Community idea to "decouple" Western Europe from the United States.

According to the plans of the leading PBC promoters, the shift in global investment into the Pacific Basin region, attracted by high rates of return and a trading environment stabilized by the existence of such a community, would escalate the 1970s tilt of investment away from Europe toward the Pacific. Europe—already hemorrhaging from high protectionism and relatively uncompetitive equipment—would be forced to seek a trading outlet in the East.

The PBC proposal dates back to the 1978-79 period, when the world economy was in the throes of the second world oil-price shock and Paul Volcker's high interest-rate recession. The proposal is but an arm of a broader operation identified by Kissinger's mentor Lord Peter Carrington as a "New Yalta" negotiation with the Soviet Union. Under the Carrington plan, while Europe emerges as a neutralist, independent factor tilting toward Moscow, Anglo-Swiss operations, hiding behind U.S. and, secondarily, Japanese interests, would manage the rich Pacific Basin, which would include the Pacific Rim countries, Canada, and most of Ibero-America. At present, China's entry into such an arrangement

is considered secondary and a point upon which PBC promoters have not yet reached a consensus.

Controlled economic disintegration

Far from promoting the economic development of the region, this scheme would give the Anglo-Swiss bankers fingertip control over the economic disintegration of the Pacific Basin. Current high growth rates based on the Japanese model of capital-intensive development would be slashed. The efforts of the Japanese and other governments of the area to protect their economies from the effects of the world depression would be sabotaged, their internal markets opened up for looting.

The strategic objective of the Pacific Basin proposal is to be achieved through four principal steps to reorganize the economy of the Basin:

- First, the Pacific region economies are to be "Atlantized" through the introduction into the Pacific of a centralized economic advisory group, modeled on the Organization for Economic Cooperation and Development (OECD). This new supranational advisory panel would seek to "advise" individual member nations on what were previously their sovereign investment policy decisions. In addition, this new advisory group would, according to the consensus plan, be staffed not by representatives of the individual governments but by U.N.-style technocrats.

The consensus position was outlined on Oct. 24, 1983, by PBC promoter and former Australian Prime Minister Malcolm Fraser at a meeting at the Center for Strategic and International Studies in Washington, D.C. "I would suggest a development towards something like the OECD, beginning perhaps with an arrangement similar to the OECD's Economic and Development Review Committee. . . . The OECD pattern could well set an example for further development."

- Second, this new Pacific Basin Community advisory body, accepting the OECD forecasts of long-term global slow growth, would set regional parameters in which the successful Japanese model for investment and highly regulated banking would be scrapped. Japan and South Korea

would have to “liberalize” their currency and domestic markets and accept foreign investment in their capital markets. This process would drive up domestic interest rates in these countries, curbing traditional high rates of growth in tangible goods, while driving investment into the inflation-generating areas of services, “invisibles,” and speculation, on a level comparable to that of the Eurodollar market.

- Third, in exchange for the opening of markets in the industrialized Basin countries—particularly the United States, Japan, and Canada—the developing-sector Basin countries—particularly the ASEAN members—would be expected to more rapidly facilitate direct foreign equity investment in their nations.

At a recent conference of the Council on Hemispheric Affairs, U.S. Secretary of State George Shultz, echoing the 1978-79 PBC proposal, urged that Third World countries no longer finance their internal development through foreign loans but instead seek direct foreign investment. This approach is now the centerpiece of Anglo-Swiss efforts to shatter the sovereign decision-making capability on investment by Third World countries through the enlargement of foreign equity positions in them.

- Fourth, the PBC proposals stipulate that the Pacific region will function as a sub-category of a global “free trading” system, an expansion of the GATT (General Agreements on Tariffs and Trade). The trading system would prevent protectionist measures now taken by sovereign nations of the area, opening up the domestic economies of Asia for colonialist looting.

Origins of the plan

The concept of Pacific-wide economic cooperation first surfaced for a very different purpose in the early 1960s, as a result of consultations between certain Australian industrial interests and Shigeo Nagano, then head of Nippon Steel. The discussions were initiated following the renewal of diplomatic relations between Australia and Japan (severed since World War II). At the time, Japan was in the process of launching its “income doubling” program, with heavy emphasis on domestic investment and external export, and Australia was targeted as a prime source of raw materials required for the Japanese plan.

Then in 1966, Kiyoshi Kojima, a principal in developing the income-doubling program, introduced into the Australo-Japanese discussions the idea of a “Pacific Free-Trade Area” (PAFTA), following an internal debate in Japan with those who criticized the PAFTA idea for excluding the non-market economies in the region—China and the Soviet Union. In 1967, then Foreign Minister Takeo Miki publicly proposed the idea of an “Asian-Pacific policy.” But the Australo-Japanese search for mechanisms to facilitate channeled growth in the region went no further at that time.

When the concept of Pacific cooperation was reintro-

duced in 1978-79, it had a new purpose within an entirely different economic geometry, defined by the *1980s Project* of the New York Council on Foreign Relations, whose director was Cyrus Vance (later secretary of state in the Carter administration). The principal operatives behind the 1978-79 PBC revival projected a severe slow-down in global economic growth, a prospect which the CFR study labeled “controlled economic disintegration.”

Three centers of power emerged during this period to articulate a Pacific regional thrust on this conceptual basis. In Japan, following the inauguration of Prime Minister Masayoshi Ohira in December 1978, a major study on the Pacific Basin was initiated under the direction of Trilateral Commission member Saburo Okita. In Australia, the government of Prime Minister Malcolm Fraser supported the Japanese initiative on behalf of Asian-based British Commonwealth interests—the Anglo-dominated banking institutions of Hong Kong and Singapore. And in the United States, through the auspices of Sen. John Glenn as chairman of the Asian Affairs Subcommittee of the Senate Foreign Relations Committee, a wide range of “Asia hands” led by former Ambassador to South Korea and former Kissinger staffer Richard L. Sneider received publicity for their version of the new Japanese-Australian proposal.

The U.S. retreat from the Pacific

It was at approximately this time that the Anglo-Swiss-centered banking interests and allied political forces launched a decade-long assault aimed at containing the pivotal force—the Japanese economic model—responsible for the high rates of development growth witnessed among the Pacific Rim countries. And in 1969, Henry Kissinger had begun the military withdrawal of the United States from Asia.

During the 1950s and 1960s, the principal shield of defense against Soviet and Chinese-inspired imperial grabs in the region was the U.S. tactical air and naval force, harbored in a ring of bases on the rim of the Asian mainland. Japan, the focus of U.S. security interests in East Asia, was placed firmly under the U.S. strategic nuclear umbrella. South Korea, the prime invasion route for any direct Sino-Soviet aggression against Japan, was also placed under the protection of U.S. strategic forces, particularly after the implied withdrawal of such protection by then Secretary of State Dean Acheson supplied a crucial incentive for the North Korean invasion of the South in 1950. In addition to tactical air, sea, and strategic force, the United States had committed itself to station ground troops on the Asian mainland—ground forces that later participated in both the Korean and Vietnam wars.

Then in 1969, National Security Adviser Henry Kissinger persuaded President Richard Nixon to adopt a new doctrine for Asia. In some respects, that “Guam Doctrine” parallels Kissinger’s March 1984 *Time* magazine threat to withdraw U.S. ground forces from Europe. Using the failing U.S. role

in the Vietnam War and the apparently successful North Vietnamese "Tet Offensive" as a pretext, Kissinger outlined a policy for U.S. military decoupling from the Pacific Basin—which had its first application through the so-called "Vietnamization" program.

At the end of the Vietnam War, this Kissinger policy became a full-scale retreat of U.S. ground forces from Southeast Asia—a development which sent shudders throughout the region. With the advent of the Carter administration the retreat became a rout, as the deployment of U.S. naval forces in the region was further scaled down. The threat of a cata-

strophic drain on U.S. naval and tactical air support from the region further escalated during 1977-80 when the focus of Soviet imperial ambitions shifted from Southeast Asia to West Asia and the Persian Gulf. The collapse of the Shah's Iran, following the Soviet move into the strategic Horn of Africa in 1977, led to the drawing-down of what remained of the U.S. Seventh Fleet in East Asia. United States military fixation on the Gulf and the security of oil flows intensified by 1980 with the Soviet invasion of Afghanistan and the initiation of the Iran-Iraq War.

But even prior to the Soviet military breakout in West

East Asia's rapid rate of economic growth

From 1970 to 1981, average annual Gross Domestic Product (GDP) growth rates in East Asia ranged from 6.2% for the Philippines to 9.9% for Hong Kong. During that same period the Japanese economy showed a 4.5% growth rate—compared to 2.9% for the United States and lower rates still in Europe. In fact, when Europe's GNP dropped 0.2% in 1981, East Asia's GNP rose 5.8%, and in 1982, among middle-income oil importers, Pacific Basin countries showed an increase in GDP of 4.2% compared to 1.2% in Latin America and the Caribbean.

These high rates of growth had a dramatic impact on world trade flows, which increasingly gravitated toward East Asia and the Pacific Basin. In the 1950s, Great Britain accounted for 40% of Australia's trade; by the early 1980s, it accounted for only 4%. For the first eight months of 1983, total trade between the United States and Asia amounted to \$82.1 billion—higher than U.S.-European trade which only accounted for \$73.5 billion. Finally, by the early 1980s under conditions of recession, 50% of trade conducted by Basin countries was carried on *between* Basin countries.

These rapid growth rates have been largely the result of growth patterns generated in the Japanese economy since it first entered a period of intense mobilization as a direct result of the Korean War, and then again as a result of investment decisions taken during the early 1960s income-doubling plan. The rebirth of a Japanese heavy industry base was first facilitated by Korean War demands. The modernization and expansion of this base followed in the 1960s. This momentum has made Japan the world's second-largest economy.

Critical in this Japanese effort has been the maintenance of extremely low domestic interest rates supported by a high rate of savings. These low interest rates, which function in many instances as government-directed channeling of private banking system credit into industry, are the inner financing mechanism propelling sizable Japanese growth rates in tangible goods production. To ensure this process, the Japanese authorities have, until recently, kept foreign financial interests out of their domestic financial markets for fear that outside intervention could drive up domestic interest rates and destabilize production momentum. In addition, such intervention would drive up the value of the yen, thus making Japanese exports more expensive.

These growth rates in Japan have, during the course of the 1960s and 1970s, spun off into the South Korean and Taiwanese economies, both of which have adopted the Japanese economic model.

Finally, the Basin has received an additional economic boost from the West Coast of the United States; while productivity in the United States has stagnated since 1979 and previous productivity gains in the late 1960s and the 1970s were wiped out by inflation, the weight of decline heavily concentrated itself in the industrial Midwest and East Coast. West Coast growth rates have been higher, due to concentration in the computer, aerospace, and energy industries. This West Coast growth has created a trading base for other nations in the Basin.

Thus as a result of the Japanese growth shock wave, the U.S. West Coast investment boom, and the development of the smaller but important Taiwanese and South Korean economies, an increased demand for raw material exports from the ASEAN countries—particularly Malaysia and Indonesia—had been generated. These same pressures propelled the raw materials-rich Australian economy into this Basin dynamic. This process of development was able to weather both economic and military shocks of the 1970s.

Asia, the momentum of the Kissinger-led decoupling operation had reached the extreme point at which Carter's State Department under Cyrus Vance would recommend the withdrawal of U.S. ground forces from Korea—a plan which President Carter endorsed.

The 'China card' and the 'Nixon Shocks'

The U.S. withdrawal from the Pacific was a milestone in Kissinger's effort to reach a New Yalta agreement with the Soviet leadership.

Since 1966, the Pacific region had begun witnessing a new conflict of strategic dimensions within its borders. At that point, the post-Khrushchev leadership of the U.S.S.R. took its first steps in the militarization of the Sino-Soviet conflict.

Seizing upon this vulnerability in 1970, Kissinger moved to play the China card, primarily in order to pressure Moscow into the broader New Yalta arrangement. But by 1973, following Kissinger's strategic give-away in the 1972 SALT I and Anti-Ballistic Missile treaties, it became clear to Soviet leading circles that any broader agreement with the West was no longer necessary.

Following the humiliating U.S. withdrawal from Southeast Asia, that zone of the Pacific region became the focal point for the increasingly militarized Sino-Soviet dispute. At the height of the consolidation of Soviet military power in West Asia in the second half of the 1970s, President Carter's National Security Adviser Zbigniew Brzezinski desperately and foolishly moved toward a revival of Kissinger's China card policy. This failed miserably when Soviet-backed Vietnamese forces successfully invaded Kampuchea in late 1978, and when China's counter-invasion of Vietnam in early 1979 failed. In the aftermath of these episodes, Moscow conducted thunderous shows of strength, including massive land maneuvers on the Sino-Soviet border and naval maneuvers in the South China Sea.

The U.S. administration, which had made public demonstrations of its support for the Chinese position, did not raise a finger.

Compounding these setbacks to the U.S. military-strategic position in East Asia from 1969-78, the 1970s witnessed an equally devastating succession of economic shocks delivered to the area. In August 1971, President Richard Nixon delivered a body blow to the world economy, through a series of measures that hit the Japanese economy especially hard. The Nixon administration's moves were an assault on the Japanese government's tight control over its domestic economy, and were labeled in Tokyo "the Nixon Shocks."

The White House's unilateral declaration of a 10% dollar devaluation was a form of trade war that was later repeated in the Nixon administration on the recommendation of Office of Management and Budget Director George Shultz, Treasury Secretary John Connally, and Undersecretary of the

Treasury Paul A. Volcker. This devaluation made Japanese exports more expensive in the United States, hurting Japan's trading position.

Second, Nixon removed the U.S. dollar from the gold standard. This maneuver quickly gave rise to an unregulated off-shore Eurodollar market, run by a banking cabal that would channel dollar investment away from tangible productive areas and toward "services" and speculation. The inflationary impact of this development was worsened by the fact that these unregulated banks could relend without having to respect reserve ratios.

The deregulation of the dollar also put pressure on the yen, forcing the Japanese government to intervene to support it. The highly regulated Japanese banking system, under the watchful eye of the finance ministry, shielded the yen from the dictatorship of the off-shore speculators. But this occurred at the cost of growing budget deficits, forcing Japan's internal economy to accommodate to the new inflationary phase which the world economy was entering.

Then in 1973-74, the vulnerability of the raw materials-dependent Japanese economy was highlighted when oil prices zoomed in the aftermath of the Arab-Israeli war. This threw the previously positive Japanese balance of payments into the negative and generated a period of soaring domestic prices.

After a weak recovery in 1978-79, Japan weathered its second oil shock. Then came the sharp escalation of U.S. interest rates under the regime of Paul Volcker, now chairman of the Federal Reserve Board. The depression that ensued shrank Asian export markets in the United States, Europe, and the developing sector.

By the 1978-79 period, the combined impact of Kissinger's military decoupling—including the failed China card—and the brutal attack on the East Asian development boom had shattered the institutional framework of relations that had existed during the 1950s and 1960s. The East Asian side of the Pacific lay vulnerable to Soviet military intimidation; the U.S. deterrent was more unreliable than ever, and the economic shocks were taking their toll. Yet East Asian growth rates continued to be substantially higher than in the rest of the world (see box).

Then came the threatened bankruptcies of Ibero-America's major debtors in 1982, which threw into jeopardy Asian trade with the continent. As for the United States, only the overvalued U.S. dollar, high interest rates, and the sky-rocketing U.S. trade deficits, subsidized the virtually bankrupt U.S. economy in 1983-84. This has temporarily buffered the effects of global depression in Asia, particularly among those economies heavily reliant on the U.S. consumer market. But as the crisis in the U.S. banking system begins to explode, the economies of Asia will find themselves increasingly drawn into the maelstrom.

To be continued

General Zia moves against Pakistan's 'anti-Islamic' Qadiani cult

by Susan Maitra

Pakistan President and Chief Martial Law Administrator Zia ul-Haq recently issued an ordinance effectively banning the "anti-Islamic" activities of the Qadiani group, also known as Ahmadiyya, a sect which originated as an instrument of British colonial rule under cover of an "Islamic reform movement" in Pakistan—then undivided India—during the late 19th century. Favorites of the British colonial rulers, the Qadianis are distinguished for being well-educated, and have exerted great influence in the Pakistani Army and bureaucracy. At least once, President Zia himself had been accused of being a "closet Qadiani."

What prompted Zia's action against the Qadianis is unknown. So far, nothing has been made public in the way of official clarification. But it comes at a time of seething turmoil throughout the subcontinent threatening India, Bangladesh, and Pakistan. "Communist violence" between radical Muslims and Hindus in Bombay has taken hundreds of lives in a week. Sikh separatist-terrorists have rendered the Punjab virtually ungovernable. Both British and Soviet hands are certainly involved in the destabilization—and the Qadianis have historically served as a premier instrument of destabilization.

Zia took his action against a background of arrests of army men charged with plotting a coup, heightened anti-Zia ferment by both the nominal left and Islamic fundamentalists on the political spectrum, and general deterioration of the internal political situation.

The Qadiani issue in Pakistan is an old one. It has taken a violent turn on at least two previous occasions. In spite of this, with 4 million followers, the Qadianis have continued to enjoy wealth and power in an impoverished and highly turbulent country. They have maintained their headquarters in Pakistan, but their network has meanwhile spread in Europe and Africa.

The recent ordinance banned the Qadianis from using the word "mosque" on their places of worship; it prohibits them from giving "Azan," the call to evening prayer, from their places of worship. It bars them from observing fasts during the month of Ramadan, and it prevents them from using the

name of Islam in their preaching. In short, the Qadianis have been banned from acting as Muslims.

Reports say the ordinance has given way to violent attacks against Qadianis. Following the order, a district leader of the Qadianis was reportedly stabbed to death in Sind province outside of a mosque. Reports of similar incidents have circulated. Unconfirmed reports indicate that Qadiani leaders from all over the world assembled in Pakistan following the announcement of the ordinance and took a decision to move their headquarters from Rabwah, Pakistan to Lagos, Nigeria.

The founder of the Ahmadiyya sect was one Mirza Ghulam Ahmad of Qadian, a town which now belongs to the Indian part of the divided Punjab. Mirza Ghulam Ahmad proclaimed himself to be a "Divinely Inspired Renewer" in 1889, and was immediately dubbed by many as a "false prophet."

Both the Baha'is and Ahmadiyyas are involved in reinterpreting the Koran and proselytizing on the basis of their reinterpretation. The Baha'is, who acknowledge that the Koran is an infallible revelation and that the Koranic phrase "Khatam al-Nabbiyyin" indicates the finality of the prophecy, argue that Islam stands abrogated because it is out of date. The Ahmadiyyas, on the other hand, do not accept the finality of the prophecy; they claim that the word "Khatam" means "a seal." All prophets before Muhammad, and the subordinate prophets coming after him, would derive their authenticity by his "seal."

What infuriates the Muslims, Shia and Sunni alike, is the Baha'is' rejection of Islam as out of date. Khomeini hangs them outright. The Saudi king, who advocates "Itjihad," the interpretation of Islamic edicts in matters of daily conduct, religion, and law today, is no more their friend. Both regard the Baha'is as heretics.

As infuriating to the Shias and Sunnis, from a different standpoint, are the sayings of the Ahmadiyyas. During his lifetime Mirza Ghulam Ahmad claimed himself to be both Al-Mahdi and the awaited Krishna—a synthesis of Hindu and Shia incarnation; he also claims to be the second advent of Christ. He thus claims to be the forebear of both the Judeo-

Christian and Hindu traditions, using the "seal" of his master, the Prophet Muhammad. Mirza Ghulam Ahmad propagated the theory that Jesus Christ escaped the crucifixion and came to Kashmir, where he lived to the age of 120. This is typical of the belief-structures promulgated out of such colonial policy-making bodies as the Quattuor Coronati Scottish Rite lodge of London.

Although Pakistan National Party (PNP) General Secretary Syed Muhammad Kaswar Gardezi denounced the ordinance, saying that the state should have nothing to do with religion, and the pro-regime Muslim League (Pir Pagaro) spokesman, Rehman Ali Alvi, warned that government involvement in controversies between different sects might be harmful to the country's integrity and solidarity, the ordinance has been generally welcomed by the majority of Pakistanis. The list of grievances of Pakistani Muslims against the rich and influential Qadianis historically is long enough to tilt the scale in favor of the ordinance.

Most important is the fact that the Qadianis openly collaborated with the British to delay the partition of the Indian subcontinent with the express purpose of prolonging Britain's rule. The religious community perceives the Qadianis to be heretics, defilers of Islam. On top of this the Qadianis have recently been accused of joining Israeli forces fighting against Muslims in the Middle East.

Britain's cult-creation

The Qadianis amount to an elite Islamic-named version of the British Scottish Rite Freemasonic cult, and were undoubtedly originally a spin-off project of the Freemasonic elite of London. The Ahmadiyya movement emerged in 1889, less than two decades after the Baha'i movement was launched in Iran, and about five years after the founding of the Indian National Congress in India. Like the Baha'i, the Ahmadiyya movement from its inception has enjoyed the sponsorship of the British, and both have been used to split the Islamic community.

The British had received a major setback in the Indian subcontinent in 1857 when the Indian army, composed of both Hindus and Muslims, picked up arms to throw the imperial occupiers out. This armed independence struggle—since belittled by British historians and their protégés as the "Sepoy Mutiny"—was subdued within a year, but the point had been made. The British knew that the Hindus and Muslims could join together again to drive out the "foreign devil." The fact that many Muslims were joining the Indian National Congress also did not escape their attention. They promptly launched a series of operations designed to create factionalization and fragmentation within and among the religious communities of India. The Ahmadiyya movement was the one directed at the Muslims of the subcontinent.

The Ahmadiyya movement's resemblance to the Baha'i movement is probably not accidental. No mere heretics intent on spreading their interpretation of the Holy Koran, both

were repeatedly at the center of struggles for earthly power.

The Baha'is were born in 1844 when one Sayyid Ali Muhammad Shirazi (1819-50) took the title "Bab" and claimed that he was the Al-Mahdi returned. According to the Shia Muslim creed, Al-Mahdi is the 12th Imam who went into occultation in 940 A.D. and is to reappear on Earth to bring equality and justice. In 1848, the same Shirazi organized a revolt in Khurasan to capture political and religious power in Iran. This led to his execution in 1850 at Tabriz, but two years later a group of "Babis" attempted to assassinate the king of Iran, Nasiruddin Shah. The same "Babis" emerged from underground two decades later under one Mirza Husayn Ali Nuri who took the title Bahauallah (Splendor of God) and declared himself to be "He whom God shall manifest." Bahauallah spent most of his time in exile in the Ottoman Empire and died near Acre, now in Israel.

"Communist violence" between radical Muslims and Hindus in Bombay has taken hundreds of lives in a week. . . . Both British and Soviet hands are certainly involved in the destabilization.

Like the Baha'is, the Qadianis were deeply involved in geo-political matters. Mirza issued two edicts toward the end of his life. First, "jihad" (holy war) was forbidden—an apparent effort to prevent the Muslims from picking up arms against the British in the name of religion. That this was the purpose was underscored by the second edict: Mirza ordered strict conformity to the rules and regulations laid down by the British Raj. He took his stand on the Koranic injunction to "obey your rulers"—neatly omitting to mention the related imperative that your ruler "should be amongst you." It is not surprising that in the wake of the 1857 rebellion the British made it a priority to counter the Muslim belief that they cannot and should not be subjugated under a non-Muslim regime.

After promoting the new "prophet" who was already making a name for himself as a champion of Islam, the British showered favors on the new body of "Muslim." It was in token of their services that Mohammad Zafrullah Khan, a Qadiani who was later appointed foreign minister in the first Pakistani cabinet, was knighted and appointed a member of the Viceroy's Executive Council as the representative of 100 million Muslims. As the second successor to Mirza Ghulam Ahmad, Mirza Mahmud Ahmad, was prompted to proclaim at the time, the British preferred Ahmadiyyas to Muslims in

recruitment to the services of the British people.

The Qadianis strongly opposed termination of British rule on the subcontinent. Following it, they retired to Rabwah, refusing to mix with the other Muslims. But given their British patronage for so many years from the inception of independent Pakistan, the Qadianis were overly represented in the country's administrative service. Besides Sir Mohammad Zafrullah Khan, there were many other Qadianis involved in running the government.

Their hegemonic presence and activity was a point of constant conflict in the early years of Pakistan's history. The Qadianis were repeatedly accused of trying to create "a state within a state" as it became evident that the elite members of this community—the bureaucrats, big landlords, and merchants of Western Pakistan—did not endorse the promise of social improvement for the broader population. During this same period, the Qadiani Caliph of Rabwah, Mullah Bashiruddin, announced the "Tabligh"—an aggressive campaign for mass conversions of Muslims, including the orthodox Sunnis, to the Ahmadiyya faith. The Qadianis chose Baluchistan as the first state where a full-scale campaign to recruit would start, and their publication *Al Fazl* editorialized that Pakistan's state machines should be used in the interests of the sect's program.

In the midst of all this, on Oct. 16, 1951, Pakistan's Prime Minister Liaquat Ali Khan was assassinated at Rawal Pindi, allegedly by a follower of the Jamaat-e-Islami (the Muslim Brotherhood). The elimination of Liaquat, like the 1948 assassination of Mahatma Gandhi, was probably a key factor in preventing India and Pakistan from jointly overcoming the horrors of the partition bequeathed at independence by the Raj. The Liaquat murder case was never investigated but instead quickly covered up.

Liaquat's death had become a certainty when he planned a visit to the United States. Liaquat had been steadily moving Pakistan out of the British orbit and probing for closer ties with the Americans. Liaquat's defiance of ancient Muslim custom by taking his wife with him to Washington is typical of the "heresies" cited to provoke the mullahs of Pakistan, and they soon merged with those in the army, bureaucracy, and elsewhere who were discontented with Liaquat's foreign policy.

Public backlash

The backlash against the Qadianis had already begun. By 1952-53 combat against this powerful religious heresy became the call of the day. The Qadiani community, wrote a leading orthodox Moulavi, stood opposed to the Muslims as an independent group in the government service, trade, industry, and agriculture. Many Pakistanis who had opposed the government policy of maintaining close ties with Britain and were actively promoting closer ties with the United States gravitated toward the anti-Qadiani movement.

Khwaja Nazimuddin, then prime minister of Pakistan and

a well-known British puppet, declared at the time that "the anti-Ahmadiyya agitation is a political movement actuated by power politics." Nazimuddin's charges, together with his refusal to carry out a land reform in Punjab as promised by the earlier Liaquat cabinet, only added fuel to the fire. Meanwhile economic difficulties mounted, creating fertile ground for unrest.

Things came to a head in early 1953. During the discussion of the draft constitution, the orthodox Muslims demanded the government officially proclaim the Qadianis a sect and a religious minority so that they would not get more than one seat in the future legislative assemblies. They also demanded that Zafrullah Khan be removed from office as foreign minister and that all other Qadianis be dismissed from government office. Khwaja Nazimuddin was also accused of belonging to the Ahmadiyya community.

By February of 1953 an all-Pakistan conference of Muslim religious parties had formed an action committee to combat the Qadianis and announced a mass civil-disobedience drive in West Pakistan. The leaders of the action committee won over the artisans, a section of workers employed at small-scale industrial establishments, the small businessmen, and the student groups to their cause. Strikes were called in Karachi, Lahore, Rawal Pindi, Multan, Sialkot, and other major cities. Demonstrators raided government institutions, obstructed the postal and telegraph services, damaged railway tracks, stopped trains and buses, set up pickets, and destroyed shops and warehouses owned by the Qadianis en masse. Bloody clashes occurred between orthodox Muslims and the Qadianis.

Though large-scale arrests were made, the Nazimuddin government was already tottering. The government quickly announced that it would carry out the Punjab land reforms and at the same time removed the Punjab governor for condoning the riots. Finally, on April 17, 1953, the Nazimuddin cabinet was asked to submit its resignation.

The second wave

The next time the Qadiani issue took center stage in Pakistani politics was during 1974, when Zulfikar Ali Bhutto was in charge of Pakistan. At the time, the Caliph of Jamaat-i-Ahmadiyya of Rabwah, Mirza Nafir Ahmad, told the Associated Press that the riots were engineered by Bhutto's Pakistan People's Party in order to shore up his crumbling image. From London where he was appropriately based, Zafrullah Khan accused Bhutto of allowing Qadiani properties to be burned to ashes while the Federal Security Forces stood by as silent spectators. Bhutto more accurately accused the opposition parties and "foreign powers" of having fanned the agitation.

In 1974, the Bhutto government had come under increasing pressure from the opposition to declare the Qadianis a non-Muslim minority. In a June 13 broadcast to the nation, Bhutto fought to blunt the growing agitation. Not only he,

but the people could also see the hands of foreign powers behind the anti-Ahmadiyya trouble, Bhutto said. One could link it with the Indian nuclear blast, the visit of Afghan President Daud to Moscow, and the presence of a political leader (Wali Khan) in Kabul as a state guest, Bhutto told the nation.

But the efforts to tar the agitation with the brush of foreign conspiracy left the opposition undaunted. Their press did not hesitate to point out that Bhutto had showered many favors on the Qadianis in the past, particularly in their large scale appointment to sensitive military posts. The opposition press also noted that Bhutto had sought and obtained support of the Qadianis in the 1971 elections. The Majlis Tahaffuz Khatame-Nabuwat (Association for the Protection of the Finality of Prophethood of Muhammad) accused Bhutto of protecting the Qadianis and demanded his resignation if he could not resolve the problem. The Majlis' demands included the declaration of Rabwah as an open city, the removal of Qadianis from key posts, a ban on their paramilitary organizations, the arrests of persons involved in the Rabwah railway incident, including the Caliph himself, and the convening of an open trial of Sir Mohammad Zaffrullah Khan for anti-Pakistan propaganda.

Bhutto had little choice but to yield under the pressure, and he set up a tribunal to investigate the Rabwah railway station incident. Soon the assemblies of Azad Kashmir (the Pakistan-held part of Kashmir) and the North West Frontier Province passed resolutions declaring the Qadianis a non-Muslim group. Finally, a resolution to the same effect was moved in the National Assembly, and, on Sept. 7, 1974, the Second Amendment to the 1973 Constitution of Pakistan declared the Ahmadiyyas a non-Muslim minority.

Broader horizons

Their periodic travails in Pakistan notwithstanding, the Qadianis have spread out to develop an extensive network in Europe as well as in North Africa, where they have launched the *Tabligh* movement to proselytize among African Muslims. Playing the role of teachers and Koranic interpreters, the Qadianis have also made inroads into the ranks of the Black Muslims in the United States. In Northern Europe the Qadianis are most active as subversive agents, supplying veiled misinformation to factionalize political parties and Pakistani exiles living in Europe in particular, through an array of institutions.

One such institution is the so-called Temple of Understanding, set up in 1963 with the help of Zafrullah Khan and the Patriarch of Constantinople. Many Qadianis are also involved in the Islamic Bank International in Copenhagen. The Deutsche Orient-Institut in Hamburg, West Germany, is also reportedly controlled by an Ahmadiyya named Dr. Munir Ahmad. Among the ranks of scientists, Dr. Abdus Salam, stationed at the Trieste International Center for Theoretical Physics, is a prominent Qadiani.

EIR Special Report

How Moscow Plays the Muslim Card in the Middle East

In the past year, have you. . .

Suspected that the news media are not presenting an accurate picture of Soviet gains and capabilities in the Middle East?

Wondered how far the Khomeini brand of fundamentalism will spread?

Asked yourself why the United States seems to be making one blunder after another in the Middle East?

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- **Moscow's cooptation of British intelligence networks** (including those of the "Muslim Brotherhood"—most prominent member, Ayatollah Khomeini) and parts of Hitler's Middle East networks, expanded after the war.
- **The U.S.S.R.'s diplomatic and political gains in the region since 1979**. Soviet penetration of Iran as a case study of Moscow's Muslim card. The August 1983 founding of the Teheran-based terrorist "Islamintern," which showed its hand in the Oct. 23 Beirut bombings.

\$250.00. For further information, call William Engdahl, Special Services, at (212) 247-8820

German court rules for terrorists

by Lena Mletzko

On May 3, the local court in Wiesbaden, West Germany was the scene of an absurd drama with serious implications. Three persons who looked like terrorists and talked like terrorists appeared there as plaintiffs in a criminal suit against the security newsletter *Spuren und Motive (SUM)*, published by *EIR*. *SUM* had claimed that the three actually are, if not terrorists, then something very close. The three persons are Felix Kurz, who writes for the pro-terrorist daily *tageszeitung (TAZ)*, plus two journalists of the similarly oriented paper *Karlsruher Rundschau*, Wolfgang Knapp, who in 1978 was investigated by the state attorney general for suspicion of support for a terrorist association, and his wife Ursula Knapp.

The three were represented by the lawyer Stephan Baier of the Hans Heinz Heldmann law firm in Frankfurt, well-known for defending the RAF (Baader-Meinhof gang). His last spectacular case was his defense of Brigitte Heinrich (now journalist of *TAZ*), who was convicted for illegal smuggling of weapons and explosives.

Climate for terrorism

As *Spuren und Motive's* responsible editor explained during the court procedure, the disputed article of July 1983 exposed the background of sabotage and harassment against the founding conference of the German Club of Life in Karlsruhe on May 28, 1983. On May 26, 1983, the *Karlsruher Rundschau* ran a front-page slander that could have developed into a serious security problem for Mrs. Helga Zepp-LaRouche, the founder of the international Club of Life:

"Karlsruhe is looking forward to another meeting of right-wing radicals. This time, an enormously rich American comes with his front organization" the *Rundschau* article started off, libelously accusing Helga Zepp-LaRouche's husband Lyndon LaRouche of contacts with the Ku Klux Klan and the American Nazi Party.

It would not have been the first time that green-terrorist stormtroopers had tried to crash into meetings with Helga Zepp-LaRouche after these meetings had received the "right-wing radical" label by the press. Although in Karlsruhe the "demonstration" against the Club of Life turned out to be absurdly small, there was intensive surveillance of conference attendees and speakers, and the profiling of security precautions by suspicious representatives of the pro-terrorist scene.

Felix Kurz was the source of the *Karlsruher Rundschau*

slanders against the LaRouches, a fact that remained uncontested during the whole trial. Nor did Kurz deny that he had in March 1982 visited a pro-nuclear energy meeting where Helga Zepp-LaRouche was a scheduled speaker. Shortly thereafter, *TAZ* published a slander article on the event, zeroing in on the security measures, and written by Kurz under the pen name Luca Brasi—a professional assassin in the novel *The Godfather*.

In 1982, Kurz was arrested during a terrorist trial in Stuttgart-Stammheim and jailed for three days after disrupting the trial by applauding the defendants. Testifying before the Wiesbaden court, he described this fact as more or less accidental. And he could not quite remember how the 1982 slander made it into *TAZ*. Although vague on those issues, he was clear that it does not benefit his "journalistic" work at the Karlsruhe court if certain facts of his background are publicized.

Even State Attorney Greth, "known as a LaRouche hater," was not convinced that there was any basis for Wolfgang and Ursula Knapp to feel libeled. But after pressure from inventive lawyers like those at Heldmann & Co., Greth issued the indictment against *Spuren und Motive* in November 1983. As of October, the state attorney had still been convinced that the description of the Knapps given in *SUM* "had been proven to be true."

In a letter to the Heldmann office at the time, he cited the fact that Wolfgang Knapp had been under investigation for terrorist activities. According to a report by the state attorney general, Knapp in 1977-78 was observed on several occasions photographing the state attorney general and others who qualify for security protection as targets of terrorists. When Knapp's flat was searched by police, photos were found that showed State Attorney General Rebmann leaving his office—right opposite Knapp's flat—surrounded by security. Yet Knapp succeeded in persuading the authorities that he took these photos out of "private interest," and the case was dismissed.

The Wiesbaden judge ruled that there is no proof that Kurz has anything to do with the "legal" RAF network, nor did he ever do any spying on security measures, not to speak of Knapp, who never did any photo dossier. He handed down a harsh judgment against *SUM's* responsible editor, who appealed the decision at once.

Some political observers think there was possible heavy Soviet/East German input. Lawyer Hans Heinz Heldmann and his colleagues belong to networks associated with the International Association of Democratic Lawyers—described by the West German state security agency as a "Soviet-directed organization." A March 1982 conference of "Lawyers Against the War Danger in Europe" featured former U.S. Attorney General Ramsey Clark as a prominent speaker together with numerous Soviet and East German representatives. Clark did not forego this opportunity to boast about the fact that in 1975 he tried to help defend the Baader-Meinhof gang.

Cocaine and paying the debt

Colombia's war on drugs is making Wall Street nervous as the flow of narcodollars is threatened.

Colombian government peace negotiations with the M-19, ELP, and ADO guerrilla bands collapsed at the end of May when President Betancur refused to lift the state of siege as a condition for continued dialogue.

The state of siege, which Betancur imposed on the country May 1 after the mafia assassination of his Justice Minister Rodrigo Lara Bonilla, provided the President with emergency powers vital for putting the country's powerful and well-entrenched drug mafia to a most undignified rout. In just one month, hundreds of traffickers have been captured, airplanes grounded, properties confiscated, and illegal airstrips bombed under the new powers, while several dozen cocaine refining labs, some as large as small cities, have been dismantled and military justice imposed on all drug-related trials.

Colombia's borders have been fortified by presidential orders to shoot down any unauthorized overflights, and anti-drug pacts have been signed with most of Colombia's neighbors, the most recent being a trilateral agreement between Brazil, Colombia, and Peru to jointly pursue drug traffickers in the region.

President Betancur, along with his colleagues in the rest of Ibero-America, is well aware that the relationship between the drug trade and the continent's terrorist movements of both the left and right demands an unrelenting and unified war against the twin evils.

But even this is not enough, for the devastation of Ibero-America's economies under the tyranny of the

International Monetary Fund has proven an open invitation to Dope, Inc. to secure a stranglehold on the continent. The financial interests behind the IMF see the drug trade as a guaranteed source of dollars for debt repayment, and are more than willing to go to bat for their unsavory allies—in the interest of “monetary stability,” of course.

The point was made clearly in a *Wall Street Journal* column May 24 which warned that Betancur's anti-drug war could lead to economic problems: “Short-term effects of the crack-down are being felt. The black-market price of the U.S. dollar has been rising as fewer drug-connected dollars enter the country and drug traffickers flee the country with their ill-gotten dollars. Indeed, some Colombians are beginning to fear that if the drug trade were really cut off, their country could suffer economically.”

The *Journal* article went on to praise fugitive drug trafficker and murderer Pablo Escobar Gaviria for his philanthropic gestures in seeking to “eradicate poverty” in his beloved Colombia. The *Wall Street Journal* has a history of speaking out in defense of the drug underworld, as recent columns and editorials advocating the legalization of Peru's illegal economy can testify.

Such threats of economic warfare from Dope, Inc.'s allies in the financial world are not new. As *EIR* has reported, the Swiss daily *Neue Zürcher Zeitung* last November did not hesitate to publish threats of a credit cutoff against Colombia if Betancur per-

sisted in his “moralizing” campaign against drugs.

Dope, Inc. has its allies on the inside as well. Lara Bonilla's bullet-riddled corpse was scarcely cold when his “colleague,” Attorney General Carlos Jiménez Gómez, began working to emasculate Betancur and Lara's anti-drug war. Jiménez has been a constant opponent of the Colombia-U.S. Extradition Treaty which Lara Bonilla gave his life to defend.

After the President declared the state of siege, Jiménez publicly charged that military jurisdiction over drug cases was unconstitutional. And on May 29, Jiménez issued a legal challenge to Articles 1 through 4 of Emergency Decree 1060 which, among other things, automatically extends prison sentences for convicted drug felons.

On the initiative of yet another drug lobbyist inside the Colombia government, a ministerial vote to approve the mass application of the herbicide paraquat against Colombia's marijuana crops was narrowly defeated. Health Minister Arias Ramírez took his arguments against paraquat straight from the U.S.-based drug lobby, NORML (National Organization for the Reform of Marijuana Laws). Arias Ramírez's ministry has been caught harboring numerous low-level employees now facing various drug-related criminal charges as a result of Lara Bonilla's ruthless intra-government investigations.

The defeat of the paraquat initiative, a personal commitment of the murdered justice minister, does not necessarily mean a victory for the drug mafia, however. Other effective herbicides, such as 2,4-D and glyphosate, are under consideration and, according to U.S. experts, are potentially as effective as paraquat in a mass eradication program.

Egypt's post-electoral challenges

Will "election mania" delude President Mubarak into awaiting the Israeli and U.S. elections before tackling pressing issues?

On May 27, a several-month-long electoral campaign generally described as Egypt's "most democratic since 1952" came to an end. The last day of the campaign didn't pass without major acts of violence, such as the death of an opposition candidate in Luxor, and pitched battles between rival groups in several other parts of the country.

Although the turnout of 30% of the population at the polls was low by Western standards, it no doubt reflected a major improvement from the 9-12% participation in previous elections under the late President Anwar al Sadat. Still suspicious of the last parliamentary elections in 1979, most people had failed to register last December, convinced that the elections would either be postponed or would not allow a real political debate.

Now sharing the 448 parliamentary seats are two main political groupings. President Hosni Mubarak's National Democratic Party (NDP), which portrayed itself as the true heir of Gamal Abdul Nasser's 1952 revolution, won 391 seats. The main opposition party, the Wafd or neo-Wafd of Fuad Serrageddine, a 70-year-old politician who was already a leader of the party under the monarchy, gained 57 seats and no more than 13-15% of the vote, a much lower score than the 20-25% party leaders had predicted.

Throwing away a "liberal" tradition of secularism which had notably attracted the large Coptic community,

the Wafd opportunistically decided to run the elections on the same platform as the Muslim Brotherhood. The Wafd played Islam as representing "Egypt's unity"; no small number of Coptic Christians bailed out, including one Wafd national secretary.

This creates new problems, since several members of the Muslim Brotherhood were elected to parliament and will be soon lobbying for full-scale Islamic Law in Egypt, encouraged by the suicidal recent decisions of Egypt's southern neighbor, Sudan, which are leading to civil war between southern Christians and northern Muslims in that country.

The surprise of the elections was the elimination of the smaller liberal or leftist parties which had been in the parliament before 1979. A last-minute new electoral law, passed by Prime Minister Mohieddine, imposing a minimum of 8% for proportional representation, ensured such a result. However, Mubarak has to decide soon on some 20 seats which are generally used to appoint spokesmen of specific communities and interests. Some of the defeated opposition leaders may be asked to join, though there will be little glory in becoming the "appointed opposition."

Egypt's main problem, apart from the presence of Muslim Brothers in the parliament, remains that the campaign did little to bring to the people the real issues facing the country. Heavy focus was placed on local social and economic issues, but the wider options of

the country's future were not debated. This affected the leadership as well, which decided to immerse itself in the electoral process, postponing all major decisions.

This has lost precious months for a country assailed by numerous potential crises. The crisis in the Sudan is becoming a major problem for Egypt. At stake is not simply whether Sudan will be "Islamized" or not, but its very ability to survive economically, a problem shared by all the other African countries, and shunted aside during the Egyptian electoral campaign.

Major initiatives in Africa, begun earlier in the year by Egyptian Minister of State for Foreign Affairs Dr. Butros Ghali, came to an abrupt halt, though it is rumored that Cairo may host the next Organization of African Unity (OAU) summit after Guinea's chairmanship ends. Lost in the campaign too have been Egypt's leadership in the Non-Aligned movement, and the hectic diplomatic exchanges of previous months in which Cairo supported the emergence of a Latin American debtors' cartel. Decisions on the Gulf military crisis, relations with Israel, and the issue of re-establishing diplomatic relations with Moscow have also been postponed until after the election.

The Kissinger-connected faction in Cairo around Minister for Foreign Affairs Kamal Hassan Ali is trying to persuade President Mubarak to continue the "election paralysis" and wait for the Israeli elections in July and the U.S. elections in November before making any decisions. Hassan Ali wants to wait for his friend Kissinger and his Anglo-American allies to gain more political power in Washington. If President Mubarak does not move rapidly, it will mean the transformation of Egypt into another Sudan, destroying the development potential of the entire African continent.

The elections in Greece

A revived nationalist movement, anti-Papandreou and anti-PASOK, is out-organizing the Socialists and Communists.

The June 17 elections to the European Parliament will be, for Greece, a critical turning point in that nation's political fortunes. As a result of exceptional circumstances, the elections will not merely decide who represents Greece in Strasbourg, but will be mainly a referendum against the Moscow-leaning Socialist government of Andreas Papandreou.

During the last general election on Oct. 17, 1981, Papandreou's party, the PASOK, received 48% of the vote. If it gets anything less on June 17, it will be in deep trouble for the remaining 16 months before the general elections in October 1985. According to my own estimates, Papandreou's party is likely to get less than 40% of the vote, and maybe as little as 34-35%. The country is in an unprecedented political upheaval fueled by a large scale repudiation of the government's policies. During May, the rapidly swelling constituencies of the leading opposition party, the New Democracy Party of moderate/conservative leanings, have been staging impressive rallies in every urban center—formerly the strongholds of liberal and leftist voting blocs.

Besides mammoth rallies in the two largest cities, Athens and Thessalonica, other rallies have drawn scores of thousands in Patras, once considered the citadel of Papandreou's cause, and cities close to Greece's borders with its northern, Slavic neighbors such as Castoria, Xanthi, Florina, Komotini, Orestias, Grevena, and Kilkis. The mass elec-

toral rallies of the New Democracy Party are benefiting from a revived nationalist movement which has emerged not as a result of any brilliant nationalist leadership but a repudiation of the government's policies across the board. In short, the new nationalist movement is an anti-Papandreou, anti-PASOK movement.

A further new phenomenon in the country's political life, at least new since 1959-1961, is the predominance, in public gatherings and in the streets, of conservative and nationalist political activists. In Athens alone, campaign workers for the New Democracy Party number over 30,000, and for Greece as a whole about 100,000. For a country of 10 million population, this is very high—the equivalent of 2.5 million campaign volunteers for the Republican Party alone in the United States. And the figure does not include those nationalist and conservative activists who refuse to support the New Democracy Party because they lend their loyalty either to the now exiled King Constantine or to the imprisoned leaders of the 1967-74 military government.

What is most striking about the Greek elections to the European parliament, in contrast to other European Community countries, is that a conservative-nationalist movement, out of power for almost three years and completely bereft of on-the-spot leadership, is out-organizing its Communist and Socialist rivals in the streets. This phenomenon is being denied by the Socialist Mr. Papandreou and ignored

by the timid and mediocre leadership of the New Democracy Party. The nationalist anti-Papandreou movement is using the New Democracy leadership as a mere flag of convenience around which to rally its forces. Their loyalty to the NDP, for which they will vote, is skin-deep. Other personalities and forces have a greater claim to these loyalties: King Constantine, in his London exile, for example, or Col. George Papadopoulos, the former head of the 1967-74 military government, now serving a life sentence; or yet others, less publicly known military commanders of the 1940-50 period who never sought political office or built a movement in any depth.

An electoral defeat of Mr. Papandreou's socialism June 17 will produce two types of results: the disintegration of the 10-year-old center-left liberal coalition of PASOK, Papandreou's party, which was formed under laboratory conditions by Papandreou's U.S. liberal sponsors around the Institute for Policy Studies, and the resurfacing of an encouraged, more radical nationalist leadership which will be tempted to challenge the current leaders of the NDP.

These two results will force Papandreou to become even more dependent on the Soviet KGB and the Greek Communist Party. Already, as prime minister, defense minister, and head of Greece's Central Intelligence Service, he has created a formidable vote fraud capability, parts of which he has handed over to the Communists. If the budding nationalist movement breaks out of this vote fraud barrier during the Euro-parliament vote, Papandreou will be tempted to redouble his efforts to steal the election that really counts, the October 1985 general parliamentary election. This, mixed with a growing, angry, nationalist movement, would make the dangerous brew of a potential civil war.

Bad times for Rasputin

Soviet films are put at the service of the war mobilization by the KGB—but top partycrats won't suffer.

Last summer, coinciding with the disappearance of then-party chief Andropov, the first rumors were heard to the effect that a new cold wind was blowing in Soviet culture. After the downing of the Korean airliner on Sept. 1, an intense pre-war mobilization started, including the indoctrination of the population to be prepared for a U.S. nuclear attack any minute. Oleg Bitov, an editor of the influential *Literary Gazette*, defected to the West in late September, because of the "re-Stalinization" of cultural life. Purges in the theater and literary establishment followed.

On May 6 the Soviet communist party paper *Pravda* published a Central Committee resolution, in which the movie makers of the country were harshly criticized. Some film directors, the resolution said, dedicate their films to "uninteresting, unimportant problems, which are far from the pressing problems of life, from the questions which especially move the Soviet people." Other films treat "fictitious conflicts, petty cares, joyless descriptions of everyday life," or "idealize outdated codes of morality and lifestyles." What is above all missing in the films is "the attractive power of positive heroes."

Two weeks later, the film producers of the Soviet Union got together in Moscow's October Hall, under the supervision of former Azerbaijani KGB chief and present member of the Politburo Gaidar Aliyev, along with the current Central Committee secretary

in charge of the media as a whole, Mikhail Zimyanin, who served in the past under the infamous secret police chief Beria.

Thus well protected, the chairman of the government film committee, "Goskino," F. T. Ermashch expressed his "warm thanks" to Konstantin Chernenko and repeated word for word the reproaches contained in the Central Committee resolution. "Progress in the art of film depends directly upon to what extent it represents our social ideals, which find expression in the form of positive heroes of our day, in an active and artistically convincing way," Ermashch announced. The "new traits of the present-day heroes," he underlined, must be "clearly and convincingly" reflected on the screen.

He complained that only a few movies deal with the "creative activity of the party and its leading role." Films are needed which treat "patriotic war and international themes," and in which "the reactionary, peace-hating character of imperialism" will be exposed. "We are peaceful people," Ermashch emphasized, "but the complex international situation, which is coming more and more dangerously to a head every day due to the aggressive behavior of imperialism, demands of those Soviet people the highest political watchfulness and firm decisiveness, in order to defend the achievements of socialism."

These were words perfectly to the taste of Gaidar Aliyev, who was the last to hold forth on the subject. He

stressed once again the growing importance of "political propaganda," since "the international situation has become extremely aggravated, above all because of American imperialism."

Everybody held his breath when Aliyev mentioned "some young movie directors who are socially passive and afraid of a mature intervention into life, who avoid the hot issues of our time, shrinking back into local or chamber subjects or making films for the sake of filming." But no names were mentioned, and the question remains whether Nikolai Mikhalkov ("Oblomov," "Sibiriade"), a representative of the new generation of filmmakers, has fallen from grace or not.

The KGB has just whipped together a quickie competition, in order to get a leg up on the reform of the film industry. Prizes are offered for the film director who can depict the daily deployment of the KGB agent as dignified and "attractive."

So we can count on a Soviet James Bond being called into being before long, of course without the Western-style decadent traits of a Sean Connery or Roger Moore. Probably, he will have to live with his wife and three kids, grandparents, in-laws, and perhaps an aunt and uncle, too, who naturally all work for the KGB, in a three-room apartment—as befits the Soviet workaday routine—and take the subway to work.

For the upper-level party functionaries and other members of the Soviet elite there always remains the comfort of keeping their own film projector "made outside the U.S.S.R." in their own homes. Despite Central Committee resolutions, they can thus continue to enjoy undisturbed the morally wicked Western films which, among the less mature Soviet people, would wreak irreparable moral harm.

New Berlin crisis on the agenda?

A U.S. military train is held up for 24 hours without explanation and the head of the KGB came to town.

On Wednesday, May 23, Soviet KGB head Victor M. Chebrikov arrived unannounced in East Berlin, sparking intense speculation about the aim of his mission. The most likely evaluation is that his visit had to do with the ongoing Soviet escalation of psychological warfare maneuvers against the Western powers in West Berlin and on the transit routes from West Germany to the city.

For several weeks in a row, Soviet and East German air force maneuvers have intimidated Western airliners in the air corridor over Berlin, and in most cases, the Soviet liaison officers at the Berlin Air Traffic Control Center have informed the Western powers only on a moment's notice that there would be maneuvers.

The density of this interference in free air flight in the Berlin corridor has risen from 4-5 maneuvers per month in 1983 to 20-25 now, and the Soviets have not concealed from their British, French, and American colleagues at the control center the fact that they do not care much about the agreements which regulate civil and military air flight in the air corridor over Berlin.

Articles appearing in East German military publications have pointed to the 1955-57 protocols signed between the German Democratic Republic (GDR) and the Soviet Union on "East German air sovereignty, including the corridor over Berlin," and an article appearing a couple of weeks ago in the prominent magazine *Militärwesen*

even called into question the rights of the West to maintain any air flight whatsoever in the corridor.

My sources in Bonn and Berlin point out that all of these Soviet and East German interferences are occurring in the context of the 35th anniversary of the end of the Berlin Blockade on May 11, 1949. Some place the interference in the context of the general hardening of Soviet positions toward the West, and a few even point to the likelihood of a new Berlin crisis.

I am tending to this latter evaluation, because it makes sense in the context of escalating attacks in the Soviet media against the alleged "rebirth of German militarism and revanchism," and because the Soviets know that West Berlin has a high emotional value for West Germans. Any threat to the safety and normal functioning of this city can be relied upon to provoke an emotional and political crisis in Bonn, and the situation in the former capital of the German state is always considered a litmus test of the success or failure of Bonn's policy toward the GDR and the Soviet Union.

The present Soviet strategy of tension is certainly aimed at driving a wedge between the West Germans and the three Western allied powers in Berlin. All of the reported air incidents over Berlin and in the corridor have affected airliners of the three Western powers.

There has also been interference in the rights of the Western powers to

go on regular patrols in East Germany, and in one case, a French officer was killed and two others wounded by East German soldiers while on such a patrol mission.

Western protests have been weak, and the French government even tried to keep the incident a secret.

This appeasement policy has only encouraged the Soviets to gear up their provocations, which are also intended to encourage latent West German sentiments against the military presence of French, British, and American forces in Berlin.

Sources in West Berlin tell me that the Soviets have given hints to West Berlin politicians visiting the East that their city would be "better off without the Western powers present."

This war of nerves has obviously borne fruit: When newly elected West Berlin Mayor Diepgen visited Washington, D.C. in April, he brought up the issue of revising the status of the Western powers in the city.

The recent high-point of the Soviet confrontation strategy occurred on May 8, the anniversary day of the final capitulation of the Nazi Reich in 1945.

At Marienborn, close to the German-German border, Soviet and East German soldiers halted an American military train which was on its way to West Berlin, kept it hostage for 24 hours, and then released it, all without explanation. Stopping Western transport vehicles on the transit routes has always been a pattern in the past Berlin crises. The incident of May 8 might thus be considered a prelude to a new crisis.

The Soviets seem to be confident that there will be no Western retaliation or protest. It looks, indeed, as if the Soviets have some friends in the U.S. State Department, which kept the May 8 incident secret for more than two weeks.

International Intelligence

Soviets lash Japan's alleged 'revanchism'

On May 26-27, the Japanese celebrated the anniversary of their victory in the Russo-Japanese War of 1904-1905, and the 50th anniversary of the death of Japanese Admiral Togo who sank the Russian fleet at Port Arthur. To the Russians who celebrate each year the "victory of the Great Patriotic War" in May, the fact that they were once defeated by a small island nation is apparently still an open wound.

The Soviet foreign ministry (!) passed an official protest note, attacking the Japanese for this "unfriendly act" which "reminded us of a very bitter trauma." The army paper *Red Star* even predicted that this step will cause "additional tension in the relations between Japan and the U.S.S.R."

This campaign against the rebirth of "Japanese militarism and revanchism" coincided with the arrival of North Korean President Kim il Sung in Moscow, the first such visit in 20 years. In his presence, Soviet party chief Chernenko accused Japan of "attempting to repeat history . . . Japanese militarism repeatedly displayed its expansionist, colonialist likings and repeatedly unleashed wars."

Italian priest: 'Beam weapons just and moral'

The latest issue of the official Italian army magazine, *Rivista Militare*, carries two significant articles in defense of beam weapons, and calls for Italian and European participation in the American program. Unprecedented is the article written by the well-known Catholic theologian Fr. Ennio Innocenti.

Speaking of "Catholic strategic" thinking, Father Innocenti blasts the pacifist and appeasement approach recently put forward by the leading Jesuit spokesman in Italy: "There are religious and ethical values which are more important than even human life." Therefore, it is correct to speak of a "just war."

Quoting the late Pope Paul VI, Father Innocenti states that this concept of "just war" is not eliminated by the introduction of nuclear weapons. This is even more true if one considers the development of "beam weapons to be used against strategic missiles." These "beam weapons are feasible, defensive, just and moral."

The other pro-beams article in *Rivista Militare* is by General Farotti, head of the arms-procurement department of the Italian Defense Ministry. He sharply counterposed the new weapons system to the NATO "flexible response" doctrine, pointing out its connection to the policy of decoupling Europe and the United States. In the same review last September, Farotti credited *EIR* founder Lyndon LaRouche with initiating the beam-weapon debate in the United States.

Zepp-LaRouche speaks to German TV audience

"The oft-repeated fact that in the 39 years following the war we have not succeeded in developing into a sovereign republican nation, is now leading us into potential disaster," West German political figure Helga Zepp-LaRouche told a national TV audience there May 26. "In the midst of a worsening and many-faceted crisis, our leading institutions and parties . . . are giving up hope and are miserably capitulating to the threat from the East.

The European Labor Party head went on: "A strategic superpower crisis is looming, while the financial and debt crisis the European Labor Party has warned about for so long, is now moving toward a global collapse, signaled by the most recent banking crises. . . ."

"While on the one hand the Soviet Union has launched an unprecedented propaganda campaign against an alleged revival of neo-Nazism in the Federal Republic, on the other hand they hope that amidst the upcoming crises, they can split the Federal Republic out of the Western Alliance. And our politicians, with their same old Occupation mentalities, are already preparing to accept their future masters.

"The fact that the Federal Republic has

never become a true nation, and our leading institutions today are unable to defend actual German interests, is intimately connected with the fact that we Germans have still not yet come to terms with our recent history.

"In order to help unravel the Gordian Knot of our search for identity, the Schiller Institute I have founded is publishing *The Hitler Book*, which will present an uncompromising picture of who brought Hitler to power and who supplied him support. And among these were the Anglo-American financial circles in London and New York, as well as Stalin—essentially the same forces which afterwards heralded themselves as occupying powers and re-educators.

"In this difficult world situation, we Germans will have a chance only if we remain firmly within the Western Alliance and if we comprehend our own history, learn from it, and with clear minds return to the positive republican traditions of the German classics, the Prussian reformers and the Wars of Liberation."

'Peace activist' sees strategic showdown

A leading "peace movement" organizer from the "Action Reconciliation" group in West Berlin, in close contact with Socialist International circles around Germany's Willy Brandt and Greece's Andreas Papandreu, told a journalist that "there will be no reconciliation between the two superpowers, but quite the contrary."

The spokesman predicted: "This autumn will bring a real and dangerous confrontation between the United States and the Soviet Union. This will be a heavy shock for many, since most people have illusions about the real situation. Politicians still maintain illusions that things are not so bad. Things will get much worse."

The activist said that this confrontation will create the preconditions for the success of the "Initiative of the Five Heads of State against the Nuclear Arms Race," now including Olof Palme (Sweden), Andreas Papandreu (Greece), Julius Nyerere (Tanzania), Miguel de la Madrid (Mexico) Indira Gandhi (India), and Raul Alfonsin (Argen-

tina). "This initiative will not remain limited to the developing sector, but will expand its organizing among the NATO members," the source explained. It amounts to a variation on the "nuclear freeze" theme of the Soviet Union.

Bomb nearly kills 'Commander Zero'

Eden Pastora, code-named 'Commander Zero' and the most famous of the Nicaraguan rebel leaders, survived the bombing of his press conference at his jungle camp May 29. The bombing left four dead and 27 journalists injured. Pastora is now under heavy guard in a Costa Rican hospital.

Pastora, reputed like the other "contras" to be financed by the Israelis, has refused to merge forces with the old Somoza army, the "Nicaraguan Democratic Force." The CIA forced the ARDE group, of which Pastora was a leader, to approve the merger May 28 by threatening to cut off their funding if they did not, according to the *New York Times* and *Washington Post*.

Intelligence sources told *EIR* that the murder attempt was made by the "Kissinger-Kirkland faction" of the CIA, which is impatient to escalate war activities in Central America.

Why was Manuel Buendía killed?

The assassination of Manuel Buendía, an investigative journalist for the Mexican daily *Excelsior*, has become a national issue in Mexico. He was shot five times at point-blank range by a gunman in downtown Mexico City May 30. It was the first major political assassination in Mexico since 1975.

Mexican President Miguel de la Madrid called for a full investigation at the funeral May 31. A close collaborator of Buendía, Carlos Illescas, tied the assassination to the recent column by U.S. columnist Jack Anderson attacking de la Madrid for alleged corruption, published while the Mexican president was in the United States in May.

A column by Buendía was published on June 1, after his death, in which he attacked Antonio Ortiz Mena, the president of the Bank of Inter-American development, as the "mother" of all of Mexico's problems. Mena has been demanding that Mexico's debt be paid with exports.

Call for coup against Colombian President

A column signed by one Doctor Rayo in the May 26 *Expectador* of Colombia implies a military coup against President Belisario Betancur. Betancur has been waging all-out war against drug trafficking, amid dialogue and armistice with guerrillas.

"Perhaps as the fight against the drug-runners grows stronger, it will be extended into the area of narco-guerrillas. . . . Perhaps the insurrectionists will continue assaulting the population . . . without the hand of the President becoming a fist. . . . But . . . the generals and colonels could be willing to take command and replace the dialogue of the deaf with the reckless power of the weapons; then we would ask President Betancur to present his resignation in behalf of Democracy," said Doctor Rayo.

Jesuits destabilize Panama after elections

Jesuit-led riots in Panama May 30 resulted in 50 injured and threatened to spread Central American chaos into that country. Among the wounded was the head priest of the Society of Jesus in Panama.

The rioting began hours after Nicholas Ardito Barletta, favorite of the Panama's international creditors, was certified to have won the presidential elections. On Sunday the Bishops' Council, led by Archbishop Marcos McGrath, circulated a pastoral letter to all churches asserting that the elections had been permeated with fraud. McGrath is a protégé of former Notre Dame president Theodore Hesburgh, who like McGrath and Barletta is a member of the Aspen Institute's Inter-Americas Dialogue.

Briefly

● **ARIEL SHARON** and Ezer Weizman, former Israeli defense ministers, are likely to be called to testify in the trial of 27 Israeli underground terrorists accused of murder and attempted murder. The terrorists are all members of the Israeli settlement movement, which Sharon has been known to support since his tenure as minister of agriculture. Defendants include two army officers. It will be the biggest terrorist trial in Israeli history.

● **SIKH TERRORISTS** killed 11 people in the state of Punjab May 30, the worst wave of violence to sweep the state in two weeks. The Sikh terror war is now at the point of destroying the state's economy. The Punjab is the country's leading agricultural state, providing India with 70% of its wheat. Trucking in the state is reportedly cut in half, while migrant workers are afraid to come into the state for the harvest.

● **A SOLDIER** formerly in the Indian Army was arrested by security forces at New Delhi international airport as he arrived on a plane flight from Iraq. The ex-soldier was wanted for questioning in a plot to assassinate Indian Premier Indira Gandhi, believed to have been ordered by Sikh separatist-terrorists in the Punjab.

● **MAMMA MIA!** A nine-member panel of the Church of England, established by Robert Runcie, Archbishop of Canterbury, has recommended that marriage be allowed between step-parents and step-children, and between in-laws, "to discourage secret sexual affairs."

● **HAMBURG** arms-smugglers selling weapons to Iran were arrested on May 29, the first such West German law-enforcement action in five years. The arrest of five illegal-arms merchants, said to have arranged for the shipment of hundreds of tanks to the Iranians, was reportedly coordinated with the United States, and perhaps linked to the arrest of Iranian Savama agent Reza Hashemi on arms-smuggling charges in New York recently.

Establishment 'goes ape' against beam defense

by Kathleen Klenetsky

McGeorge Bundy, the self-styled doge of America's treasonous and corrupted Eastern Establishment, launched a frontal assault against U.S. efforts to develop a defense against nuclear attack in a May 28 speech to America's chief scientific umbrella organization, the American Association for the Advancement of Science (AAAS).

In a tirade that only the Kremlin could rival for demagoguery and hypocrisy, Bundy blasted the Reagan administration's Strategic Defense Initiative (SDI), the formal name given to the U.S. beam-weapon defense program, and demanded that it be stopped in its tracks.

He told his audience, drawn mostly from the 4,000 attendees at the AAAS's annual convention, which met in New York at the end of May, that President Reagan's March 23, 1983 speech announcing the SDI was "one of the most irresponsible and destructive utterances that a President has made in a nuclear age." The "Star Wars," speech, he ranted, "with its false promise of unattainable safety, was a major contribution to international danger."

Brazenly lying to his audience that none of Reagan's advisers have supported the beam-defense proposal in public, Bundy accused the administration of pursuing a nuclear policy "full of half-truths." He called on Americans to make Reagan "realize enough is enough" and to outgrow the notion that anyone can be first in nuclear arms strength. If Reagan can't be persuaded of the error of his ways, said Bundy, then "we can call upon our next President to come out from behind the half truths that are lies, and the secrets that are only self-serving, and the easy appeals to what we would like to think—that it is all Moscow's fault, or that we can have progress in arms control if we do not respect the simple but inescapable need for Soviet agreement." The "next President" Bundy has in mind is Walter Mondale, whom Bundy advises on various

policy-making decisions behind the scenes.

Others have leveled the same charges against the U.S. strategic defense project—the Kremlin, for one, and such pseudoscientists as IBM's Richard Garwin, a product of the Pugwash networks which have long functioned as a back channel between the United States and the Soviet Union. But the fact that someone of Bundy's stature within the Establishment should choose to make such a public attack at this time represents a significant escalation in the anti-beam crusade.

Bundy has all the credentials to assume leadership of the "America Last" movement. A blueblood whose family has intermarried with the Tory Boston Brahminite for generations, Bundy has played a central role in some of the worst perversions perpetrated upon the United States in the postwar era.

After putting in a stint at Harvard as professor and dean, Bundy was dispatched by the Establishment elite into the Kennedy administration, where he became special adviser to the President on national security. From that crucial post, Bundy helped exploit successive crises—from the Berlin Wall to the Cuban missiles—in such a way as to eventually persuade President Kennedy to send Averell Harriman off to Moscow to negotiate the 1963 Test Ban Treaty. That treaty was a most important first step in undercutting U.S. defenses—including the fledgling antiballistic-missile (ABM) program then under development—and giving Moscow the opportunity to achieve its current strategic superiority over the United States. The supposedly "pro-peace" Bundy also helped engineer the Kennedy administration's decision to escalate American involvement in the disastrous Vietnam War.

When JFK was assassinated—and Bundy, as national security adviser, moved with suspicious speed to impose the coverup that there was "no conspiracy"—Bundy moved on



NSIPS/Stuart Lewis

McGeorge Bundy: "LaRoach! LaRoach! I won't answer a question from a LaRoach person!"

to greener pastures. He took over the presidency of the Ford Foundation, and used its vast resources to stage the race-riots of the 1960s, to orchestrate the "paradigm shift" into the "post-industrial society" with its moral decadence and the economic decay which the United States is now wallowing in, and to kill off the developing sector through what are euphemistically referred to as "population-control programs."

Over the last several years, Bundy has become increasingly involved in the campaign to disarm the United States. Together with Robert McNamara, Paul Warnke, and Gerard Smith, Bundy issued a statement two years ago calling for the United States to adopt a policy of "no first use" of nuclear weapons. More recently, he has emerged as a key political leader of the anti-beam offensive. He chaired the Jan. 30-31, 1984 "Workshop on Arms Control in Space," which resulted in a report issued by the Congressional Office of Technology Assessment (OTA) highly critical of the SDI. That study is reliably reported to contain classified information. One of Bundy's co-workers on the OTA study was Walter Slocombe, a former functionary in the Carter administration and now top defense policy adviser to Moscow's favorite presidential candidate, Fritz Mondale, who has vowed to make "Star Wars" the major theme of his campaign against Ronald Reagan.

The end of arms control

Although Bundy in his AAAS address brought up some of the usual bogus objections that are raised against the beam program—it won't work, costs too much, etc.—he made no bones about the real reason why he and his cronies have made its destruction their number-one priority.

"Star Wars," said Bundy, is "a provocation to the Soviets," and "together with the onset of the cold war, the impasse

over international control, with its absence of real negotiations, put an end to serious hope of international agreement" on arms control "for more than a decade."

To put it more plainly, Bundy correctly believes that the Strategic Defense Initiative has thrown a monkey wrench into the so-called New Yalta deal which he and his colleagues, such as Henry Kissinger and Britain's Lord Carrington, have deluded themselves into thinking they have struck with the Soviets. Under this secret agreement, which was first worked out by the evil Lord Bertrand Russell through his Pugwash network in the 1950s, the world is to be divided up between an "Eastern empire" ruled by Moscow, and a "Western empire" ruled by the Bundys of this world. Both imperial divisions would be based on oligarchical principles, in which a tiny elite rules over a mass of illiterate, brutish slaves. This is the complete antithesis of the republican principles embodied in the American Constitution—but it is the perfervid desire of Bundy and his fellow "patricians."

The Kremlin has demanded that the United States abandon its beam-defense program as part of the "New Yalta" scheme. And though there is abundant evidence that the Soviets are throwing everything they can muster into developing a sophisticated directed-energy ABM system of their own, and have every intention of using it to exert their domination worldwide, Bundy & Company are scrambling to obey Moscow's commands.

Indeed, Bundy's speech came less than two weeks after Soviet party chieftain Konstantin Chernenko had sent a letter to Richard Garwin and his fellow quack, Carl Sagan of "nuclear winter" fame, in which he blasted the United States' strategic missile defense program as "menacing" and demanded "urgent steps" to dismantle it.

Bundy's anti-beam tirade is clearly an attempt to salvage what is left of the "New Yalta" deal. Through a successful campaign to derail the U.S. strategic defense program, the Establishment hopes it can appease Moscow and get the "New Yalta" arrangement back on track.

Getting Bundy's goat

Much to Bundy's chagrin, that point was raised at an AAAS press conference on May 28. In a brief statement to the press, Bundy had complained that the President's beam program reflected America's major "problem"—that it "wants to be number one"—and that "even JFK" suffered from this horrible affliction.

When an *EIR* reporter asked Bundy whether his opposition to the program was based not on technical grounds, but on the grounds that it would interfere with the "New Yalta" deal, and because Bundy was "pathologically opposed to technological progress," Bundy went into a rage. Turning livid, wringing a pencil between his hands, and grimacing savagely, Bundy screamed: "LaRoach! LaRoach! I won't answer a question from a LaRoach person! Go back to LaRoach and tell him you've done your duty!" The "LaRoach" to whom Bundy referred is Lyndon H. LaRouche, Jr., *EIR*'s

founder and currently a Democratic presidential candidate running on a platform which calls for a crash program for beam-defense development. Bundy and LaRouche have clashed for over a decade, and the former's mispronunciation of the latter's name betrays the level of infantile rage Bundy holds for him.

Bundy was not alone in his fervent denunciations of the SDI. Gen. Brent Scowcroft, Henry Kissinger's business partner and close political collaborator, also issued a denunciation of the program during a panel on technology and arms control. Scowcroft, who chaired the Reagan administration's Commission on Strategic Forces, which recommended clamping a lid on the beam program, claimed that funds for the program had been diverted from the budget for point-defense systems—an outright lie—and that it would result in the removal of U.S. nuclear weapons from Europe, “consequently making Europe more vulnerable to Soviet conventional attack”—another lie.

When an *EIR* reporter asked Scowcroft if his hostility to the beam program didn't stem from his pal Henry's desire to maintain the “New Yalta” deal, Scowcroft could only protest, “I'm not a Kissinger clone.”

‘Heinous crimes’

Scowcroft and Bundy were just two of the opponents of U.S. defense who spoke at the AAAS convention. Although the meeting had its share of panels on “Calcium and Bone Health” and “Aging of Cholinergic Pathways in the Nervous System,” these merely served as a drawing card to lure honest scientists and others to what in fact was a mass brainwashing session on the “benefits” of unilateral disarmament, as well as euthanasia, infanticide, and other crimes.

A large proportion of conference sessions was devoted to the need for arms control, with a specific emphasis on halting the development of all space defense, including anti-satellite (ASAT) weaponry. The Soviets have operational ASATs already and are developing second generation ASATs. The AAAS leadership made no attempt to give even the appearance of impartiality to these panels, which were dominated by anti-beam spokesman. One of the most outspoken was Chernenko correspondent Richard Garwin, who helped produce the outrageously incompetent anti-strategic-defense indictment released recently by the Union of Concerned Scientists (UCS). Garwin appeared on no less than three panels where he lied like Pinocchio about the beam program. Garwin's call for a ban on space defense and a moratorium on ASAT testing was echoed by a slew of participants, including Robert W. Buchheim, who headed the American delegation to the ASAT negotiations during the Carter administration. During one session, Buchheim accused the Reagan administration of “squandering time with these damned studies” of ASAT ban verifiability, and said, “We should call the Soviets up on the phone this afternoon and tell them we're on our way.”

Singing the same old tune was Stephen M. Meyer of the

Massachusetts Institute of Technology, who said that the Soviets have “a sincere interest in negotiating” such a ban, and Dr. Hugh DeWitt of Lawrence Livermore, who urged an immediate ban on further development of ASATs on the grounds that “this very dangerous possible new technology can be stopped now. In a couple of years it will be too late.”

Hobnobbing with these foes of the Reagan administration program was Dr. Richard Beal, assistant for crisis management at the Reagan National Security Council. Beal's speech reflected the cockiness of the “palace guard” around President Reagan that they have convinced the President that no strategic crisis exists. The Soviets, said Beal, “are doing nothing out of the ordinary that would make us nervous. As the articulator of policy, the President does not want to exacerbate the situation by raising the temperature on the level of deeds. *The President has been made well aware of the danger of the rhetoric in many of his statements.* This awareness has been heightened by the election campaign. He doesn't want to exacerbate the situation by giving credence to Soviet attempts to exacerbate the situation, by making Soviet words become deeds through rhetoric [emphasis added].”

One of the only pro-SDI speakers allowed to participate was Dr. Robert Jastrow, the eminent astrophysicist. Aside from his scientific credentials, Jastrow is a witty polemicist who was nearly physically assaulted by Dick Garwin after delivering a shattering refutation of the UCS and OTA reports. Jastrow charged that gross factual errors in the UCS report, in particular, were “heinous crimes” and accused UCS adviser Garwin of “shoddy work.” The vast majority of the American population supports beam defense, said Jastrow, but “the brains of my physicist friends turn to scrambled eggs” whenever the subject comes up.

Infanticide and euthanasia

Given the fanatical devotion of Bundy et al. to the cause of sabotaging the beam-weapon defense effort, it comes as no surprise that the second dominant theme of the conference was how to decimate the world's population. That was made clear when conventioners arrived to register and received copies of the May issue of *Science* magazine, the AAAS official publication. The cover story, “Infanticide: Why?” justified that hideous crime as a population-control policy, based on the “fact” that the killing of children in human society is an unavoidable holdover of our animal antecedents!

That was only for starters. One special address on “The Population Factor in Africa's Development Dilemma” called for “massive action” to control population growth in the developing sector. A conference panel on “Decision Making for Catastrophically Ill Newborns” featured Alexander Morgan Capron as a speaker. Capron recently served as executive director of the President's Commission for the Study of Ethical Problems in Medicine, whose final report endorsed withholding food and water from terminally ill patients. The Commission also provided a sympathetic forum to people like Derek Humphrey, founder of the pro-suicide Hemlock

Society, and Mary Ann Warren, a professor at San Francisco State University who has called for using “lethal injections” on handicapped newborns.

Yet another panel avidly discussed the need to hold down medical costs by fostering the growth of such substandard substitutes for hospital care as hospices and Health Maintenance Organizations.

Not only is the U.S. scientific community helping to disarm America, but it is now helping to kill off its next generation. What more could the Kremlin ask?

AAAS pushes disarmament and infanticide

Among the many presentations attacking the Reagan administration's so-called “Star Wars” policy, and advocating a wide range of disarmament measures was a paper delivered by Hugh E. DeWitt titled “A View of Nuclear Policy from Inside a Weapons Laboratory.” Because DeWitt has spent the last 27 years as a physicist on the staff of Lawrence Livermore National Laboratory, one of the two nuclear weapons design laboratories of the United States, his remarks drew significant favorable media attention, including from the rabidly anti-beam defense New York Times. Excerpts from Dr. DeWitt's paper, which reveal how deeply the Pugwash orientation extends into the U.S. scientific and defense community, follow:

“. . . I have reached the conclusion that the scientists in the weapons laboratories play a major role in driving and perpetuating the nuclear arms race between the United States and the Soviet Union. A basic reason behind this driving force and its great influence on national policy decisions is a strong belief . . . that high technology can provide for safety and national security in a dangerous world. Coupled with this belief in the efficacy of technological solutions as being paramount over political solutions there is also a high degree of enthusiasm for possible new technologies that will supposedly keep the U.S. militarily ahead of the U.S.S.R. . . .

“I feel that if the danger of nuclear war is to be reduced and if national security is to be improved, then political agreements between the nuclear powers are more conducive to safety than the current uninhibited technological race. Specifically, I believe a number of constructive steps can be taken, namely:

“1) Ratification at last of a number of useful arms control treaties of recent years such as SALT II and the Threshold Test Ban Treaty of 1974.

“2) Resumption of negotiations toward an end to nuclear weapons testing resulting in either a Comprehensive Test Ban Treaty. . . .

“3) Serious negotiations as soon as possible to ban further

development of anti-satellite weapons. This very dangerous possible new technology can be stopped now; in a couple of years it will be too late.

“4) The proposed massive new Strategic Defense Initiative—the Star Wars program described by President Reagan in his March 23, 1983 speech—should be stopped now so as to prevent a major new round of the arms race in space.

“5) Existing arms control treaties, such as the 1972 Anti-Ballistic Missile Treaty, should be reaffirmed and strengthened.

“An end to nuclear weapons testing is in my mind the central point in the above list. . . . [it] would prevent the development of exotic new devices such as the nuclear pumped x-ray laser and other directed energy weapons concepts intended as part of Reagan's Star War proposals. . . .

“There is serious debate now in the American scientific community as to whether these new ideas for ‘defensive nuclear weapons’ can ever lead to any weapon system worth deploying. I share the skepticism of the Union of Concerned Scientists myself. . . . The momentum behind developing even ‘defensive’ nuclear weapons for use in space will almost certainly lead to the abrogation of the ABM Treaty. At that point the present fragile structure of arms control treaties is likely to become completely unravelled. The Soviets will certainly not stand still. . . . I find this prospect of an arms race in space to be very frightening. . . .

“For these and various reasons I feel that the exuberance and enthusiasm of the weapons labs for both old and new nuclear weapons technology should be curbed by the political leaders of this country. . . .”

The cover story of the May issue of Science 84, the official magazine of the AAAS, was entitled, “Infanticide: Why?” Written by Barbara Burke, the article drew upon evidence of infanticide among monkeys and other animals to justify the practice among the human “animal,” particularly under population pressures. Excerpts follow:

“Among some animal species, then, infant killing appears to be a natural practice. Could it be natural for humans, too—a trait inherited from our primate ancestors? When we hear that some mother has killed her own baby, we are horrified and assume she must be deranged. Some killers, of course, are sick. A recent study of Canadian homicide figures, showed, for example, that nearly half the parents convicted of killing their own children were mentally ill—though it is not clear whether this was the cause or effect of the killing.

“But human infanticide is too widespread historically and geographically to be explained away just as a pathology or the peculiarity of some aberrant culture. Charles Darwin noted in *The Descent of Man* that infanticide has been ‘probably the most important of all’ checks on population growth throughout most of human history. In fact, there is good evidence for infanticide in 100 hunter-gatherer and agricultural societies.”

LaRouche alone defines the issues in the U.S. presidential campaign

by Nancy Spannaus

"I defy anyone to take the entirety of the content of Mondale's and Hart's press conferences and televised debates and find in that mass of paper and video-recordings anything that resembles either a competent description of any domestic or foreign problem our nation is facing, or any definite policy-commitments on any of the crises now facing the nation."

With that challenge, Democratic Presidential candidate Lyndon H. LaRouche, Jr. kicked off a series of press conferences leading into the most intensive television campaign in the history of politics. Since the first week of May, LaRouche has delivered this challenge in press conferences in all the remaining primary states in which he is on the ballot—Nebraska, Oregon, Idaho, North Dakota, South Dakota, West Virginia, New Jersey, California, and New Mexico. His campaign was geared to culminate the weekend of May 31-June 2, when three separate, half-hour national network television broadcasts were shown—followed by the showing on a number of local television stations of a two-and-a-half-hour TV special.

While LaRouche delivers one political bombshell after another on strategic and economic policy, his competitors in the Democratic party, and President Reagan himself, are pouring out political drivel at an unprecedented rate. In collusion with the national news media, the Democratic Party leadership is carrying out a conspiracy to keep the issues from the Democratic voters.

Yet the course of the presidential campaign is being demonstrably shaped by the LaRouche campaign's intervention—a reality which can be expected to intrude heavily into the July Democratic Party convention, and on into November as the depth of the international strategic and financial crises begins to dawn on the American population.

What a contrast!

A comparison of the activities of the Hart-Mondale forces in New Jersey and California, the two "prize plums" of the remaining Democratic primary states with primaries scheduled for June 5, with that of the LaRouche campaign underlines the inanity of the so-called "major" candidates.

LaRouche appeared at a press conference in the New Jersey capitol of Trenton on May 23 to reveal that the Soviet

Embassy in Washington was helping to write the anti-beam defense legislation which the Mondale and Hart campaigns have endorsed. The packed press conference distinguished itself by responding to the issues raised by LaRouche, as opposed to the usual questions such as "where do you get your money?"

"Are you saying Mondale or Hart are involved in treasonous activities?" asked Jim Goodman of the *Trenton Times*.

"You're saying that Mondale's defense policies were submitted to him by an organization. . ." the AP reporter asked.

"Approved by the Soviet Union before he gets them," said LaRouche.

"You're making very serious allegations. . ." the AP reporter commented.

"I wouldn't bother to make them if they weren't that, that's right," replied the candidate.

The LaRouche press conference, which received television and newspaper coverage throughout the state and in Philadelphia, provided the appropriate background for the visits of Hart and Mondale to New Jersey the next week. For the "content" of the two "major" candidates' presentations reflected their reliance on the same scriptwriter, the KGB.

Up front was the issue of "ocean dumping" of industrial waste, which both opposed in a fit of devotion to "the environment." On Tuesday, May 29 Mondale attended a rally sponsored by the New Jersey Campaign for a Nuclear Weapons Freeze, where he made a vacuous pledge to "peace" and to the nuclear freeze movement, which LaRouche has demonstrated to be Moscow's creation. "Indeed, I think people want peace so much that one of these days government better get out of their way and let them have it. I think that's what the freeze movement is all about. Get out of our way. We want peace."

Hart followed suit two days later. Speaking to the same group as Mondale, he called the nuclear freeze movement "the most critical cause not only of our time, but in the history of the human race." Hart called for a freeze on plutonium production, a ban on space weapons, and cancellation of the MX missile and B-1 bomber, as well as for the freeze on production and deployment of new missile systems.

The Hart and Mondale statements clearly received more coverage than LaRouche's—but, with over a million leaflets advertising LaRouche's May 31 television show distributed throughout New Jersey, a large portion of the industrial workers in the state will have a chance to see LaRouche rip the Soviet-authored protestations of submission to shreds.

The contrast between the LaRouche tour of California and those of Hart and Mondale is also a lesson in contrasts of constituency. The LaRouche campaign sponsored a meeting of over 240 people in San Francisco May 29—while the Mondale campaign's offer of a free rock band drew less than 200 people, not including Mondale. In Los Angeles Mondale drew 1,000 less than enthusiastic union officials, while LaRouche held a crowd of 450 for more than three hours in the most intensive political educational presentation to be held in a presidential campaign since Abraham Lincoln.

Mondale also received one of the surprises of his life when he appeared June 1 on a national radio talk show which had hosted LaRouche the day before. Both a caller and the talk show host Michael Jackson brought up LaRouche's charges that Mondale is a puppet of the KGB. As he did with the charges of his complicity with the Grenada rebels, Mondale refused to respond.

Expanding influence

The influence of the LaRouche campaign is not simply being felt in the political "environment," however. There are signs of direct policy influence on both Ronald Reagan, and that master hustler, Jesse Jackson.

For the most part Reagan has "played" his campaign in the most disgusting theatrical manner, starting off with the White House event starring the androgynous rock star Michael Jackson and relying on campaign ads featuring dogs, horses, and crying statues of American historical figures. But at his speech at the graduation ceremony at the Air Force Academy on May 30, a different influence was in effect.

Within the 10 half-hour television shows he has purchased during his campaign, LaRouche has concentrated on in-depth discussions of not only the strategic, financial, and moral crises, but of two distinct philosophical approaches. One approach, now dominant in U.S. political life, is that of Henry A. Kissinger and his allies in the Soviet Union—the approach of the Malthusian feudalist who is committed to the suppression of science and technology, and of the "non-white" races throughout the world. The alternate approach, epitomized by LaRouche himself, and the historical tradition that led into the American revolution, is that of the "republican"—the Judeo-Christian approach of uplifting all mankind through great projects, science, and education for all.

President Reagan's Air Force Academy speech uniquely reflected LaRouche's exposition of his philosophy:

"The greatest of all resources is the human mind. All other resources are discovered only through creative human intelligence. God has given us the ability to make something

from nothing. And in a vibrant open political economy, the human mind is free to dream, create, and perfect. Technology plus freedom equals opportunity and progress. . . .

"The only limits we have are those of our own courage and imagination. And our freedom and well-being will be tied to new achievements and pushing back new frontiers. . . . If I could leave you with one final thought, it would be to remind you again: the measure of America's future safety, progress and greatness depends on how well you protect the peace; and on how well you hold fast to our most precious values—values embodying the culmination of 5,000 years of Western civilization."

What a contrast to the drivel about "protecting our sea lanes" and "preserving our resources"—the hallmarks of the Kissingerian strategic approach.

Jesse Jackson has mimicked LaRouche in a lesser way—picking up the issue of African famine, and the Kissinger crusade against Mexico. For him, as for Reagan, however, no concrete programmatic approaches are attached.

A losing conspiracy

From the very beginning of the LaRouche campaign in January of this year, the Eastern Establishment defined clear guidelines on LaRouche—keep him out of the limelight, especially the national media. A conspiracy of the FBI, FEC, Kissingerian forces in the administration, ADL, and the national networks went into place to enforce the decision.

The effort was unsuccessful from the start, when LaRouche succeeded in financing his national television shows without federal funds. Taking the point in response was the National Broadcasting Network (NBC-TV), which released two libelous attacks on LaRouche in late January.

The NBC-TV shows immediately backfired, providing LaRouche with more publicity and exciting more support than he would otherwise have received. But NBC, although hit with a \$150,000 lawsuit from The LaRouche Campaign, would not give up, and has exposed itself more and more as a partisan political tool against LaRouche.

The most blatant case occurred around a national television debate being scheduled by NBC-TV June 2. Having claimed that LaRouche could not participate in the debate because he was not "newsworthy," and that the Federal Communications Commission allowed them to discriminate, NBC was hauled into California court by LaRouche. NBC was forced to admit LaRouche was "newsworthy." To win, they resorted to blatant threats—if the state court ruled against them, they would simply cancel the debate altogether. The corrupt state court capitulated.

The Establishment that controls the corrupt courts and the media cannot, however, turn off the massive strategic and financial crises which they have created with their insane policies. It is those crises, and the appropriateness of LaRouche's solution, that will bring even more surprises before the November election.

The case of Joseph Churba: an arm of Soviet deception in Washington, D.C.

by Scott Thompson

On May 25, the Israeli political scene was rocked by news that 25 members of the "Jewish underground" terrorist movement had been indicted on several charges, including conspiring to blow up the Dome of the Rock, the third holiest shrine in the Muslim religion, on the Temple Mount in Jerusalem. This was part of the largest crackdown against underground terrorist networks in Israeli history.

Days earlier, Israeli newspapers reported that a special team from the Shin Beth internal security service had been dispatched to investigate links between the Jewish Defense League and the West Bank terrorist group known as Terror Against Terror (TNT). Members of this group were arrested in March for carrying 262 pounds of dynamite up the steps of the Temple Mount to blow up the Dome of the Rock and another Muslim shrine, the al-Aksa mosque.

These crackdowns are sending shockwaves throughout Israel and abroad. But if the Shin Beth wants to be thoroughly serious about its investigations of TNT terror links into the United States, it will cooperate with U.S. counter-terrorist experts to apprehend one figure "above suspicion," who has so far gone untouched: Joseph Churba, a co-founder of the Jewish Defense League with Rabbi Meir Kahane and a leading tool of the Soviet intelligence services for duping and disorienting U.S. conservative and pro-Israeli layers.

In the Washington scene, Churba, as the one-time chief Mideast adviser to U.S. Air Force intelligence and as a foreign policy adviser to President Reagan's 1980 presidential campaign, carries a good deal of weight among conservative U.S. military and foreign policy figures. Churba bills himself as one of the principal critics of former Secretary of State Henry Kissinger's "détente policies," which he blames for the near loss of the Mideast to the Soviet Union.

Third Temple and Third Rome

But through tracing the activities of Joe Churba, the investigator arrives at one of the more shocking realities of contemporary political intelligence warfare: It is the Soviet Union and its ruling "Third Rome" messianic-imperialist

elites which are the guiding hands behind the crazies who intend to set off religious wars by blowing up the Temple Mount and rebuilding the Temple of King Solomon on that spot.

The ruling ideology of the Russian Orthodox Church has for hundreds of years been that Moscow will be the site of the "third and final Rome." That belief is today allied to the imperialist yearnings of the Soviet military and Communist Party leadership. Throughout history, that combination of Russian messianism and imperial ambitions has repeatedly drawn upon the messianic expectations aroused by the "New Jerusalem," the rebuilding of the "Third Temple" of King Solomon as affirmation of an apocalyptic new era dominated by the Moscow mystics.

Today, it is the same. All the pawns in the Temple Mount/Third Temple are manipulated by Soviet intelligence, ranging from U.S. Christian fundamentalist fanatics to the Israeli cultists whose nominal political spokesman is former Defense Minister Ariel Sharon.

Hence Joe Churba.

In April 1983 Joe Churba addressed a gathering in Portland, Oregon, of 100 members of the Temple Mount Foundation, the organization created by millionaire Christian fundamentalist Terry Risenhoover to fund the rebuilding of the Temple of Solomon once Al-Aksa and the Dome of the Rock are destroyed. The Temple Mount Foundation coordinates between 1) Soviet intelligence; 2) Scottish Rite Freemasonry, the cult creators of the British and European oligarchy who trace their "wisdom" to the "secret knowledge" of Solomon; 3) the Christian fundamentalists, who believe that only after the Temple is built will Jews convert to Christianity and Armageddon occur, and, 4) the Jewish fundamentalists of the Gush Emunim and TNT, who believe that rebuilding the Third Temple will mark the advent of the Messiah.

In the United States, the Temple Mount Foundation is only one of several "Christian fundamentalist" organizations, that are pouring money and equipment into Israel to sacrifice the Israeli state in a broader plan for bringing "apocalypse"

to our times. Joe Churba was no innocent in this gameplan. As he spoke, the room featured a big model of the Temple Mount in Jerusalem, for all who doubted the plan was operational. For Churba, it was only the first event in a planned national tour on behalf of Risenhoover's madmen.

At his speech to the Temple Mount crazies, Joe Churba repeated his theme, printed elsewhere in ads taken out by his Washington, D.C.-based Center for International Security and signed by 100 U.S. generals, that Israel is now the "only secure ally the United States can depend upon, sharing a common destiny with the United States. It is the one pillar for the region." After his speech, however, Churba told a reporter for *EIR* that *the time has come for Israel to consider a strategic alliance with the Soviet Union.*

Churba's call for a Soviet-Israeli strategic alliance shows that the Temple Mount project is consistent with plans of that faction which rose to power with Yuri Andropov, the former head of the KGB, to transform Moscow into a Third and Final Rome. While the Temple Mount crazies fiddle with an idea that might cause the entire Mideast to explode into a holy war, Moscow grins; the very Islamic fundamentalists who have vowed to carry out a jihad against Israel are now under increasing control of Soviet Deputy Foreign Minister Gaidar Aliyev, who serves as the Third Rome faction's emissary to Syria, Iran, and other radical Arab states.

The 'Great Game'

In 1975 Joe Churba, who was then head of the Mideast desk for U.S. Air Force Intelligence, had his security clearance stripped, when he leaked a document to Bernard Gwertzman of the *New York Times* that challenged the Pentagon's strategic assessment which made Europe a priority over the Mideast in a war with the Soviet Union.

Since his ouster, Churba wrote two books on Mideast geopolitics, the *Politics of Defeat: America's Decline in the Mideast* (1977) and *Retreat from Freedom* (1980). As Churba readily admits, he bases his analysis upon the 19th-century "Great Game," which pitted the British, Austro-Hungarian, Ottoman, and Russian Empire in a Hobbsian battle for control of the region.

The Great Game spawned a snakepit of double and triple agents like H. A. R. "Kim" Philby, the former chief of Soviet counterintelligence for British MI-6, who "defected" to the Soviet Union, becoming a KGB General, after his father, the British Arabist St. John Philby, handed over key Islamic fundamentalist assets. It was Kim Philby who trained James Jesus Angleton, who has been identified as a controller of early operations by Churba and Rabbi Meir Kahane.

In his 1977 book, Churba said: "The present course of United States policy will enable the Soviets to achieve dominance in the Middle East and global strategic superiority over America. Under such circumstances, it would be criminal for anyone to suggest denying the Kremlin its *Pax Sovietica*

at the risk—for it would then be the only other option available—of nuclear conflagration."

In *Retreat from Freedom*, Churba predicted that the Soviets would reach "global strategic superiority" by 1985. Where Churba had identified Turkey, Iran, and Israel as the three "pillars" of stability against a Soviet takeover of the Middle East in 1977, by 1980 he said: "Israel is without question the only reliable and effective ally the United States has in the Middle East." So, Churba wrote a letter to the *New York Times* suggesting:

"Our policy makers, presumably, are searching for ways of avoiding a choice between nuclear war and inaction in the face of Soviet expansion gulf-ward. History yields to them an idea worth chewing on . . . the partition of Iran into Soviet and American zones.

"Washington might propose allowing Soviet dominance of the areas of Iran directly south of the Soviet-Iranian border in return for a free hand in southern Iran. The rationale: by reducing uncertainty about the extent of the superpowers' respective ambitions in the region, the risks of military confrontation would diminish. . . ."

Joe Churba may not be on the KGB payroll, but his willingness to partition Iran, as Neville Chamberlain paved the way for the partition of Poland between Hitler and Stalin, shows what he means by a *Pax Sovietica*. It is this sort of treachery that led Churba to call for a strategic alliance between Israel and the Soviet Union at the Temple Mount gathering in Portland.

Turning Jews into animals

Joe Churba grew up with Rabbi Meir Kahane, the founder of the Jewish Defense League, in Flatbush. Both joined Brit Trumpeldor (Betar), the militant Jewish youth group founded by Vlad Jabotinsky, where they became close friends with Moshe Arens, the current Israeli Defense Minister. After their ordination as orthodox rabbis and advanced degrees, Churba and Kahane set up a number of business fronts for political intelligence operations.

One early operation run through Consultants Research Association was to create the July 4th Movement, a campus support group for the Vietnam War whose only known branch was at the Jesuits' Fordham University. Churba with Kahane in tow traveled to and from Washington, D.C. where Kahane masqueraded as a Presbyterian journalist named "Michael King." They started a magazine on Washington "night life," which folded after two issues. They also wrote a book called *The Jewish Stake in Vietnam*. During this time Kahane described himself as "an expert on penetrations and front groups," and their activities had the reported sponsorship of U.S. Air Force Intelligence, the Mossad, and the James Jesus Angleton wing of the CIA.

When Kahane launched the JDL in May 1968, Churba became an instructor at Maxwell Air Force Base, but they

have remained in close contact to this day. They planned the JDL to create a new Jewish identity, not as a leader in the creation of a Judeo-Christian renaissance, but as a *Chaya* ("animal"), which is the name that Kahane gave to the JDL's goon squads from which the Temple Mount terrorists have been recruited.

The JDL's first major intervention was the Ocean Hill-Brownsville "race riot" that former National Security Adviser, McGeorge Bundy, then president of the Ford Foundation, sought to drum up against Jewish teachers opposed to his "community control," deschooling program. The JDL's main enemy, Leslie Campbell (a.k.a., Jitu Weusi of The East) was the "Black anti-Semite" foil to build JDL's armed goons.

The JDL and Campbell both shared a common "mother" through the Ford Foundation-related networks of "Mac" Bundy. Shortly after the New York teachers' strike, Rabbi Kahane invited a Princeton University anthropologist named Elizabeth Dolgin operating on a grant from the Center for Urban Ethnography to work for 18 months at the Jewish Identity Center in Manhattan, where the Chaya squads were brainwashed. Her "action anthropology" project was funded by the Ford Foundation-linked Center for Urban Ethnography. Dolgin's comment that the *Chaya* identity was built upon Herbert Marcuse's "dialectic of absorption," may reveal more than she knows.

After he left OSS, Marcuse's projects included creating Angela Davis of the Communist Party U.S.A. With a draw down account from Bundy's Ford Foundation, Marcuse set up the East Side Service Organization (ESSO), which funded the Mark Rudd crazies. ESSO also funded "Up Against the Wall Motherf---ers," an anarcho-syndicalist group that carried out gun-running for the Newark riots with the Ruddites. The token leaders of the Newark riot were Greenwich Village guttersnipe poet Leroi Jones (a.k.a., "Imamu Baraka") and Les Campbell: two of the JDL's leading "Black anti-Semites."

This operation is the root of Rabbi Kahane's current organizing of "Jews Against Jackson," to polarize the Black and Jewish communities. JDL threats to Jackson, the reason why President Reagan assigned Secret Service protection to the candidate, may yet be used as the cover for an attempt upon Jackson's life that has the potential to trigger 1960s-style race riots.

'Blood and soil'

The *Chaya* identity is a fascist "blood and soil" myth. It draws upon early biblical tales of the Maccabees and Masada, as interpreted by the Zionist leaders Theodor Herzl, Max Nordau, and Vlad Jabotinsky. Of these three Zionist leaders, the more important for Churba and Kahane is the blood-and-soil Russian fascist Vlad Jabotinsky.

Born in Odessa to a wealthy grain-trading family, Jabotinsky settled as a journalist in Switzerland in 1898, before attending the Jesuit University of Rome in 1902, where he was recruited to "economic socialism" by Antonio Labriola

and the Venetian agent Benedetto Croce. Through Labriola, Jabotinsky was introduced to his "most beloved hero" Giuseppe Mazzini, who co-founded the Propaganda 1 Freemasonic Lodge to run the 1848 Jacobin destabilization of Europe.

On his return to Odessa, Jabotinsky created an underground network of Jewish "self-defense" units, stretching throughout Russia and Eastern Europe, which still bedevil U.S. intelligence circles. Jabotinsky's underground not only had unsolved ties to the Czarist secret police, the Okhrana, and later Soviet intelligence services, but also open leanings to the fascists of the 1930s.

Labriola, the Hegelian scholar Croce, and other contemporaries of Jabotinsky in Italy not only gave him the basis of his "Jewish Monism," upon which Kahane's *Chaya* identity is drawn, but as Jabotinsky was well-aware, they were the authors of *Il Duce* Benito Mussolini's fascism. Jabotinsky lobbied Mussolini to take up the Nordau Plan to create a Jewish state in Palestine, and he worked closely with the Birgonium, created in Palestine in the 1930s, who took Mussolini's corporatism as their model.

The impact of Jabotinsky upon Churba and Kahane has been tremendous. Michael Ledeen, who is one of Churba's close collaborators, wrote a book called *Universal Fascism* in which he traces the birth of fascism from Giuseppe Mazzini's Propaganda One Freemasonic scheme to create a Young Europe. Mussolini, according to Ledeen, developed this into a plan for a fascist empire beginning at a 1932 Conference in Volta. Ledeen's only complaint with this Fascist International is that it foundered upon "the Jewish question."

Ledeen, in fact, sits on the board of directors, with Churba, of the Washington-based Jewish Institute for National Security Affairs!

Ledeen's propaganda work on behalf of universal fascism earned him the role of special envoy of Henry Kissinger to the P-2 Masonic Lodge run by a former member of Mussolini's secret police (OVRA), named Licio Gelli. The P-2 lodge has been implicated in every major coup attempt and terrorist act that has hit Italy since 1969.

Ledeen, not surprisingly, works out of Jesuit Georgetown University, the center of treason in the United States. Since the Jesuits have universally been the bridge between Nazi and Communist networks, it is hardly surprising that such an operative would help bridge Churba's ties from the blood-and-soil fascist ideology of Jabotinsky to the Soviet Third Romers.

"Universal fascism" of the sort that permeates oligarchic cults like the Propaganda Two Masonic Lodge, is the blood-and-soil ideology that brings together the Temple Mount crazies with the Third Rome faction in Moscow. Universal fascists like François Genoud of Lausanne, Switzerland, the heir to those fascists who gathered at the 1932 Volta Conference, work hand-in-glove with Michael Ledeen, Ruhollah Khomeini, and Gaidar Aliyev of the Soviet Politburo. This is the substance of Churba's "Pax Sovietica."

Russian priests pray for U.S. disarmament

One hundred peacelovers from the World Council of Churches gathered at Georgetown University's Intercultural Center May 19 to hear Soviet Metropolitan Juvenaly and other Russian church leaders deliver a solemn plea for the West to lay down its nuclear arms.

Juvenaly, a leader of the Russian Orthodox Church, is also Vice President of the Society for Friendship with the United States. He came to Washington with a delegation of Russian religious leaders, to spread the word that the Reagan administration's beam-weapon defense program is a devilish plan that threatens world peace.

The Russian delegation was warmly introduced by Canon Michael Hamilton of the Washington Episcopal Cathedral, with the words: "You no doubt fear this administration's plans to develop abilities to fight nuclear war in space." Hamilton added that a new Commission of Inquiry had been formed by the Episcopal Church to study nuclear arms policy and "whether there should be new forms of political loyalty, perhaps no longer to a nation state, but perhaps to some new form of world-wide government."

The Russians nodded in agreement, no doubt contemplating the day that Moscow would become the center of a Third and Final Roman Empire.

Lest anyone naively assume that Russia's bearded priests represent a Christian threat to the communist state bureaucracy, listen to the words of Alexei Bichkov, of the All-Union Council of Evangelical Baptist Christians:

Bichkov said that he found "offensive" the remarks of some at the conference that the Soviet government had "aggressive intentions," violated human rights, and the insinuation "that

of course the Soviet people are good, but their government is not as good as their people." Bichkov insisted that "we recognize as a reality and a blessing that God has ordained us to live in the country in which we live. . . . The Central government, as a rule, promptly corrects any violations of human rights."

Metropolitan Juvenaly began his homily with the irrefutable observation that "the Bible does not contain even a single text on the subject of nuclear annihilation." Then he came to the support of Robert S. McNamara, Gerard Smith, and other U.S. advocates of a No First Use of nuclear weapons policy: "It is necessary to reject the very idea of a nuclear war. . . . It is impermissible under any circumstance whatever to use nuclear arms. No First Use is the only practical and reasonable position."

Referring to the U.S. Catholic Bishops' pastoral letter endorsing the nuclear freeze, Juvenaly rejected its backing of the McNamara-Kissinger doctrine of "deterrence." "You mean deterrence against the Soviet Union! . . . You mention the 'Soviet threat,' and 'Soviet ambitions for hegemony.' . . . It is stated that under such conditions, the possession of nuclear weapons is acceptable. This position is diametrically opposed to ours and we cannot agree."

The Metropolitan proceeded to read a list of the "peace initiatives" submitted by the Soviet government over the last 40 years, including a pledge to forego the first use of nuclear weapons.

No first strike policy?

Juvenaly then put on his marshal's stars and delivered the following attack on NATO and the United States:

"The policy of the Reagan administration is, we can judge, the attempt to achieve strategic superiority over the Soviet Union. A clear example of that is the deployment of first-strike weapons in a number of countries of Western Europe.

"The NATO understanding of deterrence is to achieve supremacy over the socialist countries. This will eventually lead to retaliatory action on the part of the Soviet Union. . . . The policies of the Soviet Union are always to achieve a balance of forces for mutual security. . . . It is always NATO which introduces new types of arms. . . . The initiative was always on the U.S. side, while the Soviet Union was always forced to develop these weapons. . . . The military doctrine of the Soviet Union does not contain the concept 'First Strike.' . . . NATO recognizes the possibility of nuclear war. The Soviet Union believes such a war is impermissible."

Juvenaly debunked the idea that NATO is a defensive alliance. "Defensive from whom? In 1949 my country had just emerged from a terrible war. . . . This alone speaks for itself. Can anyone seriously speak of a Soviet threat when NATO was founded? . . . It was not until six years later that the Warsaw Pact was formed, when Germany, from whose wounds our country was just barely recovering, joined NATO."

Another conference speaker was Alexei Osipov, a professor at the Moscow Theological Academy, who outlined the Russian Orthodox Church's activities in support of "peace," including such events as a March 1983 conference which called for an "Outer Space without Weapons." The conference resolved that "not a single person will feel secure if the plans for placing weapons in outer space are implemented."

Elephants and Donkeys by Vin Berg

James Baker III: Eledonkey

James A. Baker III, White House chief of staff and head of the President's prophylactic "palace guard," is, of course, a Republican, but one on intimate business and personal terms with leading Democrats who despise the President. Baker is an old friend and business partner of Robert S. Strauss, who headed Jimmy Carter's Democratic Party. During October 1980, when Strauss was Carter campaign manager and Baker was number-two Reagan campaign manager, he and Strauss formed a partnership for an Anheuser-Busch beer distributorship in California.

Recall that after Strauss met with DNC chief Charles Manatt and others to launch the "Briefinggate" scandal against the President, and James Baker III's name came up as possible recipient of the fabled briefing-papers, Strauss leaped to Baker's defense and said, oh no, it was CIA director William Casey. It is the Democrats who claim the papers were stolen; Strauss, on the other hand, could have given them to whomever he chose.

Old Houston families

Strauss and Baker, of course, are old friends because they are both millionaire Houston lawyers of the old-family tradition. It was in May 1867 that Albert Pike, the Grand Commander the U.S. southern branch of London's Scottish Rite Freemasonry, dedicated to the destruction of the United States, launched a project to bring "Order out of Chaos" by introducing the Scottish Rite into Texas. One of the original Galveston members was a man named Austin Clay Baker. In June 1867, a lodge was established in Houston; original members included lawyer W. Brown Botts.

In 1872, Judge Baker, a veteran of the rebellion against the American

Union, moved to Houston and became a key figure in Botts's law firm, soon renamed Baker & Botts. The principal client of Baker & Botts in its early days was robber baron Jay Gould.

By the turn of the century, Judge Baker's son, Capt. James Addison Baker, was running Baker & Botts. The title "Captain" came not from military service, but from a position in the Houston Light Guards, an elite men's social club.

Captain Baker made his mark by representing the estate of William Marsh Rice in a sensational New York murder trial. Rice, a multimillionaire Houston cotton trader and investor, died in New York in 1900. Captain Baker got his valet to admit he poisoned Rice in collusion with opposing lawyer Albert T. Patrick, and returned to Houston in his private railway car even wealthier, thanks to the will he had drawn up for Rice. Rice Institute, today known as Rice University, was provided by the will with \$10 million when instruction began in 1912—with Captain Baker as chairman of the board.

Captain Baker also helped Jesse Jones take control over Houston banking during the Panic of 1907. Jones used the panic to buy up large hunks of several local banks; he was opposed by the president of the South Texas National Bank, but the chairman of the board, Captain Baker, overruled the president. Jones became the dominant force in Houston banking and later headed FDR's Reconstruction Finance Corp.

Baker & Botts fell to his son, James Addison "Jim" Baker, educated in true elitist style at Hill School, at Princeton, and then the University of Texas Law School. After World War I, he married Bonner Means Baker, a Bonner of the Humble oil field. Her great-uncle John Hugh Means was governor of South Carolina "when the first shot was fired at Ft. Sumter." Their first son was James Addison "Jimmy" Baker III, today of the White House.

In April 1976, after a brief stint in the Commerce Department, Jimmy Baker became the Ford campaign's chief delegate hunter. After the Kansas City Republican convention, Ford fired Rogers Morton and replaced him with Jimmy Baker as campaign manager. Baker balanced Ford's budget: Ford lost the election but had money left over; Robert Strauss's friend Jimmy Carter won. Ford, some thought, might have won if Baker had spent any money.

Even so, Baker became campaign manager for George Bush in 1980. By May 1980 Ronald Reagan was clearly the front-runner, so Baker held a press conference—without telling George Bush—to announce that Bush was dropping out of the race. Bush's campaign collapsed, but he became Reagan's running mate and Baker became White House Chief of Staff.

Covering up for Madame de Menil

In an interview with the pro-terrorist French daily *Liberation* on April 20, 1984, Madame Dominique Schlumberger de Menil of Houston confirmed her role as the patron of Muslim Brotherhood terrorism internationally, conceding that she is a "Sufi mystic."

On Oct. 10, 1981, *EIR* had warned that a gathering of Muslim Brotherhood members planned at Madame de Menil's Rothko Chapel in Houston was a terrorist planning event. This was relayed to the White House to keep visas from being issued to terrorists on their way to the Rothko event. An investigation was started, but then stopped, and the conference went ahead. Three days earlier, Mme. de Menil went to a state dinner at the White House.

Could someone from Houston, Texas with influence in the White House have been responsible for covering up for Madame de Menil?

Kissinger Watch

by M. T. Upharsin

One agent, two faces

On May 24, Henry Kissinger suddenly arrived in Toronto, Canada, to address a group of high-level executives at the Royal York.

That was quite a day for celebrities in that city north of the American border.

As Henry spoke, a delegation of six Soviet-KGB "think-tankers" from the Moscow U.S.A.-Canada Institute, led by Institute head Georgii Arbatov, was completing four days of private meetings at the house of University of Toronto Chancellor George Ignatieff. Ignatieff, scion of an important Russian oligarchical family, is the mastermind behind Canadian Prime Minister Pierre-Eliot Trudeau's policy of bending over backwards to the Soviet military.

Also on May 24, the executive board of the Club of Rome International arrived secretly at Toronto's Inn of the Park Hotel for the board's first meeting since the unlamented passing of the Club's founder, Aurelio Peccei, in March.

With such friends and co-thinkers in the vicinity, one could hardly imagine that Fat Henry would pass up the opportunity for yet another treasonous get-together.

Ignatieff, on the one hand, and Club of Rome executives like Great Britain's Alexander King and West Germany's Eduard Pestel on the other, admitted to investigators that stopping President Reagan's Strategic Defense Initiative was among their primary concerns.

Speaking to a journalist after his election as Peccei's successor, Club of Rome President King said: "We've had no links in the Reagan administration up till now. . . . If Reagan is re-elected, then we hope Henry Kissinger will become the new secretary of

state. He knows the job. . . . Yes, he will be our 'first link' inside the Reagan administration."

Whatever he might be saying or doing in private, the double-crossing Dr. K is playing his cards differently in public. In his Toronto speech at the Royal York, he portrayed himself as a staunch Reagan loyalist, charging that there was no point in talking to the Soviets since they were currently "interfering" in the U.S. elections.

Should he have taken his words seriously, of course, Dr. K would have to become an emigré, to remove the main factor in that interference! On March 18, the Soviet government paper *Izvestia* praised Kissinger for his "great energy" and predicted that he would be Reagan's next secretary of state.

'Neo-conservative' Henry

Dr. K has decided to re-tool himself as a "neo-conservative," to sell his policies under a cover that might fit the conservative format of White House policy formulations.

This, undoubtedly, was one of the underlying motivations of his notorious March 5 *Time* magazine article advocating that the United States prepare to withdraw from Western Europe: to ingratiate himself with "neo-isolationist" ideologies purveying the various breeds of neo-conservative thinking.

On March 25, neo-conservative mouthpiece Irving Kristol of *Public Interest* magazine gave an interview to France's *Le Figaro* newspaper calling for an American withdrawal from Europe and the creation of a "European NATO." Kristol stated privately from his New York office a few days later that "Henry Kissinger has moved closer to our position."

The flip side of the coin is the growing pattern of complaints from leading liberal Eastern Establishment

figures in the U.S. "anti-ABM" movement that Kissinger is refusing to take a public stand against beam weapons. "Privately, we're sure he would be concurring with us," a prominent Carter administration-era arms control specialist and Mondale supporter said, "but he's lying low, since he's so intent on making himself persona grata with the administration. He's intent on getting back into the government."

A spokesman for the same Soviet paper *Izvestia* which had been so full of praise for Dr. K played the same "laundering" game in a discussion with *EIR*: "How can you say we like Henry Kissinger so much?" he asked. "He's more of a neo-conservative than the neo-conservatives." And to further raise Henry's flag among the ideological manipulators of the President, a left-Jesuit magazine called *Worldview* ran a bitter attack on Kissinger in April, written by a Jesuit father at Holy Cross College in Worcester, Massachusetts. He focused his attacks on Dr. K's policies toward Central America.

Filling out the picture was the arrival on or about May 29 of Great Britain's Sir Alfred Sherman in Venezuela, to begin a "fact-finding mission" into Central America.

Sir Alfred, one of the creators and controllers of the Heritage Foundation, another repository of "conservative" ideology, is a passionate advocate of the United States becoming embroiled in wars in Central America, to strengthen what he likes to call the "imperial will" of the United States to "act like we did in the 19th century." He played an insider role in having Henry Kissinger re-inserted into the Reagan administration during April to July 1983, through the Central America issue and Kissinger's Central America Commission.

Sir Alfred Sherman fronts for British-based mafia interests deploying vast funds and operational capabilities into Central America and the Caribbean.

National News

Eagleburger gets his payoff from Carrington

Lawrence Eagleburger, the former U.S. Undersecretary of State for Political Affairs who was one of the first vocal advocates earlier this year of the United States' withdrawing troops from Europe, was named May 31 as the new president of Kissinger Associates. This is Henry Kissinger's consulting firm, which includes soon-to-be secretary general of NATO, Peter, Lord Carrington, on its prominent board of directors.

Kissinger Associates has also brought onto its board the former Nixon-Ford era Secretary of the Treasury and former Salomon Brothers investment banker, William Simon. The "consulting firm" has served as a vehicle for Henry Kissinger and his buddies to make rich kickbacks from their political friends in various parts of the globe. In Ibero-America, they have used their influence over U.S. government policies to coordinate financial and political warfare in these regions.

Administration admits losing war on drugs

Retired Adm. Daniel Murphy, the coordinator of the Reagan administration's anti-drug campaign, has admitted that the program has failed to "reduce the flow of drugs to a trickle," his vow of two years ago. "I don't see where we are winning the war on cocaine," he told the *Miami Herald*.

Rear Adm. Daniel Thompson, coordinator of the Miami Task Force, also acknowledged little progress. "Perhaps there were expectations that we would dry up the supply of drugs on the streets. But if the community expected to rid themselves of drug trafficking or get drugs out of the schools, I'm sorry they were disappointed." Cocaine, he said, is being smuggled into the country "in a more devious manner," and only 3% of drug flights into the U.S.A. are

being intercepted, including a relatively small percentage flying into Florida, with the highest concentration of radar and intercept aircraft in the nation.

As *EIR* commented at the time of the "war on drugs" announcement by the White House, "respectable" international bankers and the International Monetary Fund were encouraging drug production and export by Ibero-American countries in particular, as a means of their earning foreign exchange to service foreign debt.

The Reagan administration's support for the IMF, and toleration otherwise of the usury policies toward Ibero-America by the American banking community, has undermined the war on drugs.

Revolutionary optics speed laser successes

"The whole picture is coming together for solving the problem of beam propagation into space with high power and accuracy," said a U.S. laser scientist May 30, referring to breakthroughs in the beam-weapons program, despite under-funding and political attacks on its objectives.

Several science magazines lately have published sparse accounts of revolutionary optical refocusing devices solving the "impossible" problem of propagating high power beams up through the atmosphere, accurately and in focus. The various methods all involve making gases, liquids, electrostatic ion clouds, or plasmas act as optical elements—lenses or mirrors—through interaction with the laser or particle beam. These methods are closely related to the phenomenon of "tunneling" of electron beams through atmospheric plasmas: the medium and the beam become a single system of energy densification to perform work.

In addition, these methods involve the propagation of the effects of electromagnetic radiation—laser light—at the speed of sound through such refocusing lenses. In mid-1983, *EIR* founder Lyndon LaRouche made the unconventional assertion that sound

waves were a form of electromagnetic propagation.

One journal has asserted that these methods of "non-linear adaptive optics" already offer the prospect of precise, focused propagation of high power lasers for 60 miles through the atmosphere—beams which additionally stay "locked on" their moving target from the instant that any part of the beam is reflected from the target back to the beam weapon's mirror.

Federal strike force goes after Presser

The Justice Department has been asked by a federal strike force to approve prosecution of Jackie Presser, elected president of the Teamsters Union in April 1983. The federal strike force in Cleveland says Presser defrauded his local there of \$250,000 in salaries for fictitious workers. Presser is still secretary-treasurer of Cleveland local 507.

Presser is one of President Reagan's most powerful backers in the labor movement. He has repeatedly denied any wrongdoing in connection with union activities.

His predecessor, Roy L. Williams, resigned after being convicted of trying to bribe Sen. Howard Cannon, in connection with the Teamsters' campaign against deregulation of the trucking industry. Deregulation has virtually destroyed the industry, throwing thousands of drivers out of work, bankrupting many trucking firms.

The union remains virtually the only "organizing force" for the U.S. road transportation industry; the union's continued existence is clearly viewed as a roadblock to the "post-industrial" policies dominant in Washington.

'Crisis-manager' says Reagan brainwashed

At the just-concluded American Association for the Advancement of Science con-

ference in New York (see National Lead), Dr. Richard Beal, National Security Council Presidential Assistant for Crisis Management, claimed April 29 that the United States lacks any coherent national security plan. President Reagan has been induced to believe that no strategic crisis exists, and to believe that his own statements constitute the greatest threat to peace.

Asked how the administration "crisis-managers" would react to a Soviet confrontation under conditions in which the President is denying the danger of war, Beal answered: "We have to differentiate between Soviet words and deeds. I can't imagine what an eyeball-to-eyeball confrontation would look like these days. They are doing nothing out of the ordinary that would make us nervous. As the articulator of policy, the President does not want to exacerbate the situation by raising the temperature on the level of deeds. The President has been made well aware of the danger of the rhetoric in many of his statements. This awareness has been heightened by the election campaign. He doesn't want to exacerbate the situation by giving credence to Soviet attempts to exacerbate the situation, by making Soviet words become deeds through his rhetoric."

Reagan 'absolutely' rules out decoupling

Interviewed in the June 2 edition of the West German conservative daily, *Die Welt*, President Ronald Reagan ruled out that the United States might ever decouple from Europe. In another interview on June 1 with Indro Montanelli, editor of the Italian paper *Il Giornale Nuovo*, Mr. Reagan reaffirmed that development of new ABM technologies is among the main tasks of his administration.

The statements, given on the eve of Reagan's departure to Ireland and the World Economic Summit in London, signal resistance to the Kissinger-Carrington tendency in the Alliance, which is dead set against beam weapons and advocates decoupling.

Following rather weak and evasive statements on the state of the U.S. and world

economy, Reagan told *Die Welt*: "It can absolutely be ruled out that America cuts its ties to Western Europe, or weakens its obligations to its NATO allies. Europeans and Americans are bound together forever."

To Montanelli's question, "What can we do to decrease fear of nuclear war in the world?" the U.S. President said: ". . . I hope that someday we will reach the moment when nuclear weapons will be obsolete. As you know, I have ordered, consistent with our obligations in the alliance, research and development on the technology to be used for defense against ballistic missiles. On this program we will hold close consultations with our allies."

Beam program bent out of shape, say experts

The U.S. beam-weapons program is being distorted by pressure from the "arms control" lobby and the White House's capitulation to this, U.S. laser experts report.

First, more contracts are being issued, spending more money, on the study of measures to counter beam weapons, than on the development of beam weapons themselves. Second, the contracts being offered are for modelling the behavior of beam weapons systems, developing computer codes, data bases, etc.—not for actually building beam weapons.

Two explanations are possible, both showing political "bending" of the program. Either the program is being "hedged" to anticipate that the Soviets will break out with beam-weapon anti-missile capabilities before the United States does, requiring the United States to both catch up and develop countermeasures for its missile force; or, all of the actual "hardware" work developing high-power beam weapons is being kept in the national laboratories for national security/secretcy reasons.

But according to one source, "The DOD is trying to get down to doing it without really doing it, because the political constraints are not to really do it in the near term."

Briefly

● **MOTHER JONES**, a monthly edited by former anti-Vietnam War radicals, devoted the cover story of its May issue to defending McGeorge Bundy from Lyndon LaRouche's National Democratic Policy Committee. According to *Mother Jones*, Bundy remained "cool, self-assured and purposeful" at a San Francisco event after a LaRouche follower "leveled a series of politically eclectic charges against [Bundy], from selling out the country by opposing President Reagan's 'Star Wars' proposal to committing genocide in Vietnam."

● **HOMOSEXUALS** are being blamed for two bomb threats to a nursing home in St. Cloud, Minnesota. Authorities have linked the incidents to seven bombs in Minnesota and six in Wisconsin claimed by an organization calling itself the "North Central Gay Strike Force."

● **HEALTH OFFICIALS** in Miami say that as the quality of cocaine has gone up and the price has gone down on street sales of the illegal drug, more people are being admitted to hospital emergency rooms suffering from severe cocaine reactions. The number of such admissions in the Miami area has tripled in the last two years, from 71 in 1982 to 115 in the first three months of 1983, to 214 from January through March 1984.

● **NASA** has announced that two more space shuttle missions have been dropped from the schedule for launches this year. The cancellations leave five flights through December by the shuttle craft *Discovery* and *Challenger*. A *Spacelab* mission scheduled for November has also now been delayed to 1985.

● **THE GAY** and Lesbian Rights Organization has called on Walter Mondale and Gary Hart to take homosexual affairs more seriously during the campaign, according to UPI.

Editorial

Operation Juárez—the time has come

It is now nearly two years since *EIR* first published Lyndon LaRouche's *Operation Juárez*, at the close of the Malvinas War crisis in mid-1982, and circulated it to leading circles throughout Ibero-America. A passage from that document evokes the breaking situation described in our cover story:

"During 1266-1268 A.D., the evil forces behind the Inquisition, the Venetian oligarchical families, defeated the forces of the Staufer in Italy, and forced the abdication of Friedrich II's cousin, Castile's Alfonso el Sabio. A flood of usury and pseudo-Christian cults was unleashed upon Western Europe by the Inquisition's victory. Lombard usurers, typified by the evil banking-houses of the Bardi and Peruzzi, piled monstrously refinanced debts upon the monarchs and lesser feudatories of Christendom.

"To pay their debts to the Lombard usurers, the feudal debtors slashed the holidays of their serfs, forcing a reduced number of serfs to till an increased per-capita acreage. Labor on the feudal lord's portion was increased, looting of the peasantry became increasingly ingenious, increasingly wicked, increasingly savage. IMF and World Bank 'conditionalities' prevailed.

"To pay their debts to the Lombard usurers, desperate feudal lords looted their feudal neighbors, financing these wars by borrowing, at usurious rates from the Lombards.

"Intensification of labor on estates led to neglect of improvements of land. Periodic famines erupted, and accumulations of wealth in forms of inventories, of improvements of land, and of livestock, were depleted. The per-hectare productivity fell. Famines increased, nurturing epidemics.

"Large portions of the population were driven into vagabondage and banditry. The cathedral towns shrank into ghost-towns. During the hundred years following the defeat of the Staufer, half of the parishes of Christendom vanished, and half the level of the population. England's and other debt-ridden potentates sovereignly repudiated their debts; the Bardi and Peruzzi were wiped out. The debt-repudiation came too late; the Black Death

was already being borne upon the ruined, depleted populations by the rat, from the depredations of the Mongol holocaust to the East.

"Europe sank into what has been frequently described as a 'New Dark Age,' from which only the 15th-century Golden Renaissance saved European civilization.

"Today, as during the 14th century, the collective bankruptcy of the debtors becomes the extinction of the creditors. We must put this hard-gained lesson from history to present use.

"Unless the bankers of the United States of America are collectively insane or babbling imbeciles, they will joyously embrace a proper proposal for collective financial reorganization of the Ibero-American debt. However, they will probably resist such a proposal to the teeth unless it is made by collective action of several prominent nations of Ibero-America in concert."

Concretely, LaRouche proposed a moratorium on existing foreign debts of Ibero-American republics, to be replaced by a portfolio of bonds from each debtor-nation equivalent in total value to the accrued value of the previous debt-contracts. The portfolio would have these notable features:

"1) The interest rates on the bonds will be nominal, approximately 2% per annum.

"2) The final date of payment of principal on the total indebtedness will be significantly later than the schedule indicated by the canceled contracts.

"3) In some cases, there will be a period of grace, before payments mature—a deferred-payment provision.

"4) Maturities of debt payment will be determined by maturity dates of each of a series of bonds issued."

Such action is now not only the only way out for Ibero-America, but the only desirable policy option for the United States and its Western allies. It alone is coherent with the "technological optimism" reiterated by President Reagan on the eve of the London summit. No effort is too great to impose Operation Juárez—and there is not a moment to lose!

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