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Europe builds 'arc of stability'
Colombian terrorism—crisis in the Caribbean
Carter economics: out of control

**New Hampshire:
The vote against Trilateralism**



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EIR

From the Editor-in-Chief

Our Special Report this week, "New Hampshire: The vote against Trilateralism," picks up Campaign 1980 as it swings out of New Hampshire and into the south and midwest. As our report details there is something brewing in the nation which cannot be found out by listening to the reports of Walter Cronkite or reading the New York Times—despite the attempts of the media to control the minds of the American voters, the mood is one of anger. With the economy in full scale collapse, the prospects for Carter depend solely on keeping the more-hated Teddy Kennedy in the race while on the Republican side the scions of the "Eastern Establishment" are desperately throwing Ford, even Anderson in after Trilateral Commission patrician George Bush got trounced in New Hampshire. The New Hampshire election, as we report, proved to be one of the dirtiest in memory, aimed primarily at depriving Democratic candidate Lyndon H. LaRouche an accurate count of his approximate 20,000 votes. LaRouche spearheaded the anti-Trilateral movement in New Hampshire, with the public benefits going to Reagan—the race right now is wide open as a result.

Our report is prepared by U.S. affairs Editor Konstantine George, with assistance by Lonnie Wolfe, Vin Berg and on-the-scene reports from New Hampshire. This continues our series of Campaign 1980 special reports, with more to come as the campaign proceeds. We note for our readers one other report of special import in this week's issue—our expose of terrorism and the hostage crisis in Colombia, including exclusive material on who the "M-19" really is, who is behind it and what they are really after.



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There's no way Carter can manage the mammoth budget deficit unless Paul Volcker can somehow lay hands on the petrodollar surpluses of the oil producers. All kinds of schemes are afoot, primarily Volcker's interest-rate warfare against America's allies in Europe. But as French President Giscard knows, Europe can use its gold to secure petrodollars for Third World development.

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The Trilateral Commission became the leading issue in the New Hampshire primary, and the result was that Ronald Reagan and Lyndon LaRouche proved themselves to be the best vote-getters around, in fact. Accordingly, the Trilateral Commission and Council on Foreign Relations, as they try to cover up the fraud against LaRouche on the Democratic side, face two problems: how to stop Reagan, and how to stop LaRouche from determining the next primary election.

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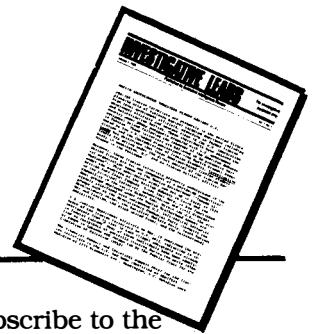
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Correction:

The article "Which way for Mexico's oil production?" by Elsa Ennis, in *EIR* Feb. 26-March 3, 1980 discusses President Lopez Portillo's tendency to accept a policy of lower oil prices for the least developed countries. The last line of the article was inadvertently dropped. The closing section should read: "...the special oil price proposal will only make oil countries pay for the debt burden of impoverished underdeveloped countries. "Mexican observers wonder whether an assertion by Foreign Minister Jorge Castaneda last October that Mexico was willing to give preferential oil prices to underdeveloped nations was not an 'unfortunate mistake,' as later stated, but a deliberate statement on his part."

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by Nora Hamerman

Friedman and race-science

“Fascism” is a word that gets bandied about a great deal these days, as anyone who has been told that development of nuclear energy or German classical music is “fascist,” well knows. Yet we cannot evade the sober reality that the advent of fascism in the grave economic crisis now facing the world, and particularly the so-called West, is a very real danger. Let us define our terms.

The danger of a new fascist takeover in the advanced sector is signaled by the simultaneous emergence of a media campaign for Nazi race science and the revival of Nazi economics under the rubric of “austerity” or “fiscal conservatism.” The connection was recently avowed in an interview by the notorious race scientist Richard Herrnstein of Harvard, who pronounced “valid” the link between Dr. Milton Friedman’s “Fiscal conservatism” and his own brand of “eugenics.”

This underlines the lurid significance of Friedman’s own admission, in a public radio broadcast last year, that his theories are identical with the policies of Hitler’s Hjalmar Schacht.

In the popular imagination, fascism is associated above all with a policy of racial discrimination so hideous that some 18 million “inferior” beings, including Jews, Slavic peoples, communists, and millions of individuals whose only crime was being too old or too weak to work, were put to death. The propaganda campaign around the Holocaust has emphasized the ideology of racialism which the Nazi brand of fascism used to justify the extermination of “non-Aryan” peoples.

Yet it was not the bestial ideology of anti-Semitism, anti-Slavism, and so forth which was the root cause of that policy. Rather, the ideology was tailored to meet the strict consequences of Schachtian economics, which demanded the looting of labor resources and capital equipment in order to meet the inflated demands of financial debt repayment. Hitler’s Nazis were in fact *imposed* on Ger-

many by the London financial oligarchy that backed Hjalmar Schacht—including some of the same Jewish-name banking families today involved in the Holocaust campaign.

Recently, massive media publicity was given to the announcement by Dr. William Shockley that he and two other Nobel prize winners had donated their sperm to a sperm bank in California in the interest of propagating a master race. Dr. Shockley achieved some notoriety in the early part of the last decade, for publication of “experimental evidence” purporting to show that intelligence is inherited, and that blacks are genetically inferior to whites.

Shockley’s Harvard co-thinker Herrnstein reminded us that “Shockley has in the past suggested a more efficient use of fiscal means as incentives and disincentives . . . to be able to change the reproductive rates of various groups. This coheres with the types of ideas Friedman would have on changing the welfare system. Look, the welfare system defends the lower rung of IQ’s.

“If IQ is inherited, as I’m confident can be proven, then public policy is now lowering the mental age of the population.”

The “valid connection” made by Dr. Herrnstein should shame honest conservatives, Democrat or Republican, into renouncing Friedman’s fiscal austerity doctrine on the grounds that its consequences are immoral.

Happily an alternative exists. It is to join forces with France’s Giscard and West Germany’s Schmidt who are creating a new gold-backed monetary system in cooperation with key Arab and nonaligned nations. This would provide a basis to generate the credit for a new industrial boom while rescheduling the nonperforming debt.

The outcome of the Friedman Schachtian alternative would not stop with the slaughter euphemistically labeled eugenics or euthanasia. As the Nazi experience taught us, its ultimate result is war.

U.S. interest rates a bid for petrodollars

by Alice Roth

Federal Reserve chairman Paul Volcker's decision to jack up the U.S. discount rate to an all-time high of 13 percent has triggered a new round of interest rate hikes in the major Western European economies.

Leading West German bankers are seething about what they characterize as the Fed's turn to international financial warfare. Essentially, the Carter administration has opted to use higher interest rates to finance an otherwise unmanageable budget deficit—pulling tens of billions into U.S. Treasuries at the expense of the rest of the world.

The carnage on foreign capital markets has been severe. On Feb. 28, the Bundesbank announced a one percentage point hike in its discount rate to 7 percent and a 1.5 increase in its Lombard rate to 8.5 percent. The Swiss central bank announced a hike in its discount rate from 2 to 3 percent that same day. The French government reported a tightening in its controls on bank credit expansion effective April 1 and Italy, Britain, and the Netherlands are expected to follow with similar measures in the near future.

Volcker's gambit appears to have worked for the moment. Although U.S. consumer price inflation is running at 18 percent and the Carter budget (favoring military buildup and energy boondoggles) could push that rate toward Weimar levels, the dollar has performed surprisingly well on international currency markets.

Since the beginning of 1980, the dollar has risen by 4.5 percent against the West German mark, 8.2 percent against the Swiss franc, and 4.0 percent against the Japanese yen. The dollar has continued to appreciate

even in the wake of the West German and Swiss tightening because traders anticipate *still another* competitive discount rate boost by the Fed. The entire confidence game could break down at the point that foreign money managers do a few simple calculations and discover what the Fed's rate hikes are doing to the interest component of the Federal budget!

In reality, the Schachtian budget advocated by Carter's Trilateral Commission advisors (with or without the proposed cutbacks in transfer payments and social programs) can only be financed if the U.S. Treasury receives a sizeable portion of this year's OPEC petrodollar surplus.

This fact was addressed openly by Lazard Freres investment banker Felix Rohatyn in a speech before a New York meeting of the Conference Board on Feb. 28. Rohatyn declared that the U.S. was in a state of "national bankruptcy" comparable to that of New York City in 1975 and proposed a global equivalent of "Big MAC" to solve the crisis. According to Rohatyn, "OPEC should be compelled to accept long-term bonds from the U.S. in payment for oil, 'the proceeds of which would be limited to purchases of American goods and services.'" (For excerpts of Rohatyn's speech, see page 19).

In the aftermath of the Iranian asset freeze, however, OPEC governments are understandably reluctant to deploy new funds into U.S. markets. The question of how the major Middle East dollar holders will invest their petroearnings this year is the most important question facing international financial policy-makers—and no one appears to have any firm answers.

One possible option, mooted by the *Financial Times* in its March 4 editorial, "A Neighborly Adjustment," is that the just-arranged central bank bail-out of the Japanese yen will be used to finance the U.S. deficit "through the back door." According to the "Financial Times, Japan is attempting "to make Japanese assets more attractive to OPEC investors" by such measures as raising the rates payable to foreigners on yen deposits and permitting Japanese companies to float yen-denominated bonds abroad. Since oil payments to OPEC continue to be made in dollars, OPEC governments seeking to diversify into yen assets would first have to sell these dollars to the Bank of Japan. The *Times* hopes that the Japanese will end up recycling the monies into U.S. Treasury bills, "providing an outlet for the investment of (the OPEC) surplus" which "should help to reduce strain in the financial markets generally."

The urgency of such a back-door recycling arrangement was underscored early in the week ending March 7 when the Japanese government (using the Fed as an intermediary) was forced to unload \$2 billion worth of U.S. Treasury bills on U.S. credit markets in order to raise cash for foreign exchange intervention. As a result, three-month Treasury bill rates reached a new record high of 15.4 percent.

Will they go along?

It is still far from clear whether either Japan or the OPEC countries will cooperate with the Rohatyn proposal to throw the petrodollars down the Carter budget sinkhole. West Germany, the other major potential beneficiary of OPEC diversification, is even less likely to go along. In his Feb. 29 Lombard column, *Financial Times* columnist Jonathan Carr objected to the Bundesbank's decision to raise its rates on the grounds that this move would attract more capital into West Germany. The implication was that if West Germany gained control over the petrodollar funds, it might put them to other uses than propping up the U.S. and British treasuries. One suggestion which has been voiced increasingly in the French capital is that the European central banks or a proposed European Monetary Fund (EMF) should systematically recycle the petrodollars into Third World industrial development projects.

Of course, if Washington's interest rate war compels the Bundesbank to bid for OPEC's funds at ever higher rates, this effort to recycle the funds into productive channels will quickly bog down. As the U.S. case shows, higher interest rates simply raise the costs of long-term investment to prohibitive levels, so that short-term "get rich quick" speculations appear as the only profitable investment outlets. Western Europe's only remaining option is to offer OPEC *gold guarantees*—so that the petrofund can be recycled at interest rates far below the prevailing Eurodollar rates.

France makes its bid for petrodollars

Just this may have been an unofficial item on the agenda of French president Giscard d'Estaing during his tour of the Persian Gulf this week. In fact, what Washington scared is that the French president now so popular in the Middle East is the same man who has promised to propose a well-thought out plan to return the world monetary system to the gold-standard at the forthcoming economic summit in Vienna. Giscard's tour of the Gulf states, including petrodollar giant Saudi Arabia, has been most successful to date. He arrives in Saudi Arabia next week.

According to Saudi sources, Giscard will unveil a "surprise" of some kind that will be the crowning point of his trip. It is thought that one feature of the talks in Riyadh will be state-to-state oil supplies for France bypassing the multinational concerns, but much more is going on.

Politically, Giscard is seeking an alliance of Europe, Africa and the Middle East oil-producers for the immediate creation of a Palestinian state and prevention of an "outside military presence"—read U.S. or British—in the region (see INTERNATIONAL). In an interview Giscard laid out a concept of this "trialogue" whose basis will be the agreement among the three parties on political and security issues. That lays the groundwork for lasting economic cooperation.

Economically, Giscard has been basing his diplomacy on massive nuclear energy technology transfer and "trialogue" development of the Arab and African economies. The French press is already saying that Giscard is trying to "out-de Gaulle" de Gaulle, while the effete British are simply screaming "unfair."

A diplomatic coup

As a result of the French president's diplomacy, France has moved the European Monetary System nations, including West Germany, much closer to the petrodollars than anyone else right now. Giscard has pulled off a virtual diplomatic coup d'etat internationally—aided not a little by President Carter's "apology" to Israel and the U.S. Zionist lobby for a pro-Palestinian vote in the United Nations this week, leading the Saudis to dub the U.S. leader a coward.

What may well decide whether gold guarantees for petrodollars, petrodollars to be used for Third World development, can defeat the objectives behind Paul Volcker's interest rate war are the discussions to occur in Saudi Arabia next week. As of now, France is virtually assured of the friendship and financial cooperation of the Arab world for years to come, and observers say that if Giscard proposes economic agreements of mutual benefit, the Saudi Arabians are entirely prepared to state their readiness to finance the program.

The bottomless government market

The decline of the government bond market is now self-feeding.

None of the Carter administration's talk of budget cuts, credit controls, and other last ditch "anti-inflation" measures can do a thing to stem the collapse of U.S. government bond prices in the estimation of veteran analysts.

In a recent interview Joseph Bench, economist for First Pennsylvania Bank, pointed out that for every one percent increase in the Treasury bill rate, the Treasury's interest costs rise \$4 billion, given that around half of the Treasury's debt must be refinanced over the next year. Bench pointed out that the interest rate assumptions programmed into the fiscal 1981 budget are four percent below current Treasury bill rates, which means that an additional deficit of \$16 billion lies hidden in that budget.

The current round of turmoil in the government debt market, which produced yields in excess of 15 percent on three-month Treasury bills on March 3, was triggered by the release of the fiscal 1981 budget by President Carter in late January. Subsequent news that the inflation rate is now running at 19 percent annually has fueled the collapse in bond prices. Every economic initiative adopted by the administration—high interest rates, the hike in defense spending, and disincentives for oil, gas and nuclear energy production—has aggravated the interest rates-chasing-inflation spiral.

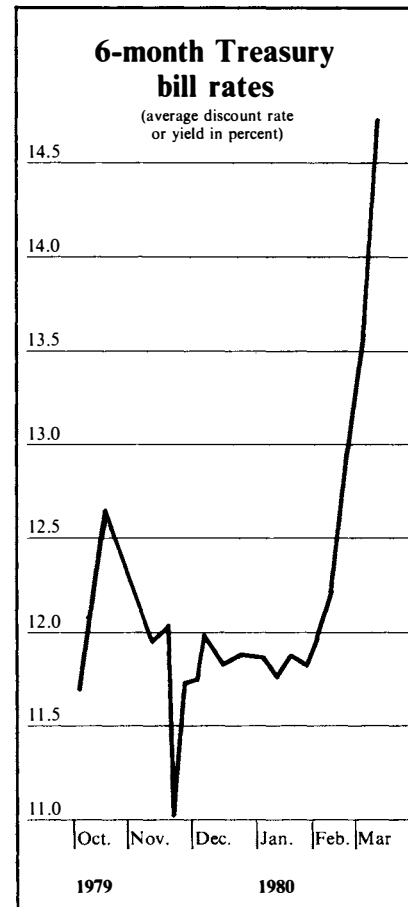
Last October, following Volcker's credit tightening measures,

Treasury bill rates broke through 10 percent for the first time in U.S. financial history. In late February, they reached 13 percent and, at the March 3 auction, six-month Treasury bills were sold at an average discount of 14.792 percent and three-month bills at a rate of 15.136 percent.

The yields on U.S. government debt have served to attract international capital back to the U.S. dollar, which has led to the recent strengthening of the U.S. currency out of all proportion to U.S. economic "fundamentals." But the relative firming of the dollar has in turn placed the Treasury in a no-win situation.

The major new factor in the collapse of U.S. government bond prices was the liquidation of Treasury bills by foreign central banks. On March 3 and 4, the Federal Reserve sold \$1 billion per day for customer accounts, reportedly of the central banks of Japan, West Germany, Switzerland, and Britain, all of whom were conducting large support operations for their currencies. These foreign Treasury bill sales coincided with an especially large sale of new bills by the Treasury—\$11.6 billion within two days—and caused rates to jump into the 15 percent area. The further rise in Treasury yields in turn put more pressure on the yen and other foreign currencies, forcing a further liquidation of Treasury bills by the foreign central banks and so the cycle continues.

Dr. Griggs, economist of



Schröder Bank in New York, noted in an interview that though the liquidation of Treasury bills by foreigners was large in recent days, they were noticeably smaller than the size of the currency support operations. On March 3 and 4 the support operations were averaging in the \$1.5 to \$2 billion per day. This led Dr. Griggs to suspect either the Fed was absorbing bills for its own account or the Bank of Japan was already drawing very heavily on its \$5 billion swap line with the U.S. Treasury, which was activated in emergency meetings on March 2. Of course, this process also boosts the world supply of dollars, the implication being more inflation and yet higher U.S. interest rates.

Who'll lend to the LDCs?

Studies by Chase and other banks suggest rolling over Third World debt would be tough even if times were good.

With interest rates shooting through the ceiling and Third World loan demand expected to rise by up to 33 percent over last year's already stratospheric \$50 billion, much attention has been drawn to the question of whether the developing countries will be able to borrow what they will need, and if so, from whom. Present trends indicate a crisis blow-out of the LDC debt situation by the second half of this year.

A conservative estimate by Chase's *International Finance* newsletter for Feb. 4 places the current account deficit of the non-OPEC LDCs in 1980 at \$65 billion. Morgan Guaranty's *World Financial Markets* estimates the demand will go as high as \$80 billion, and neither estimate calculates the effect of a world recession. This entire amount will need to be financed, in addition to refinancing the approximately \$100 billion in debt service that will be payable during the year as well.

Chase projects that in 1980, the magnitude of LDC financing to be provided by commercial banks will drop from \$28 billion to \$26 billion, and from 57 percent of the total to barely 40 percent. The inability of the private banking sector to carry the huge added burden is the source of the impending crisis in LDC financing. In its commentary, Chase's Economics Group chooses to ignore the obvious question posed by its charts: where will the (conservatively estimated) \$39 billion in

noncommercial loans come from?

Chase's answer is the "solution" recently proposed by Chairman David Rockefeller, who said he thought the International Monetary Fund should pick up the shortfall in LDC credit. Fed Chairman Paul Volcker has also called for the IMF to replace private bank lending. Neither gentleman could have been aware of the IMF's meager resources for the task, which total only \$6 billion in the "Witteveen facility," \$2.4 billion in the Trust Fund, and some additional billions available from general resources. To lend all of this would require acceptance of stiff conditions by all borrowers.

Restricting its analysis to the bank-financed portion of the total LDC demand, Chase asks whether "recycling will work for the non-oil LDCs this time." It says the tighter foreign borrowing constraints will either lead to "forced disruption of capital flows"—i.e., a country will go bankrupt suddenly—or to "adjustments," import reductions which will hurt growth rates and likewise discourage lenders. Having proved that no matter what they do, LDCs will not be attractive borrowers, the Chase letter concludes that there is "currently no basis" for prediction of debt defaults.

Morgan's estimates reveal more of the problem. In 1979, Morgan reveals, 47 percent of total international credit went to roll over or refinance already outstanding debts, up from 41 percent in

1978. In the syndicated loan category, which accounts for almost all LDC loans, the ratio of refinancing to total loans rose from 47 percent to 53 percent. While gross loans to LDCs rose 28.7 percent, net loans rose only 6.4 percent. With inflation at twice that rate, the real value of net loans to the LDCs actually dropped.

But the worst aspect of all has been the fact that the 100 percent increase of the U.S. prime rate, and with it the LIBOR and other nations' prime rates, imposed a huge extra debt service burden on the LDCs while penalizing the lending banks who depend on short-term deposits. The *Financial Times* reports that there has been very little Eurodollar lending to the Third World so far this year, even though banks are flooded with OPEC deposits. Since the banks can only raise the interest rates every six months, monthly or even weekly rises in the interest rates the banks must pay out on short-term deposits represent unrecoverable losses. The only way out is speculation.

From the side of the LDCs, the added interest charges alone could tack anywhere from \$12 to \$20 billion or more onto the \$70+ billion already estimated loan demand. The debt-service ratios would rise correspondingly as well. Against this debt mushroom must be placed the prospects for LDC economic performance this year: no one is predicting a good year, with halving of growth rates in the key countries widely expected. The creditworthiness of most LDCs has nowhere to go but straight down this year, caused by the high interest rates and stagnating world economy.

An evil experiment in steel

When U.S. Steel made its decision to shut down and lay off workers in Pennsylvania, not-very-nice people started organizing...

How do you reverse the growing internationalization of the economy, and restore to local communities control over their own productivity—that's the issue that's on trial here."

These are not the words of an Iranian "militant," but of Reverend Chuck Rawlings of the Episcopal Diocese of Ohio. Rev. Rawlings is a leading organizer in the Mahoning Valley Ecumenical Coalition, a group formed in 1977 in response to the accelerating wave of steel layoffs that hit Ohio's Mahoning Valley harder than anywhere else in the United States.

The trial he speaks of is coming up in the depressed steel town of Youngstown, Ohio on March 17. On that date the chairman and president of U.S. Steel Corp. will be put in the docks ostensibly to answer for their decision to shut down its 3,600 McDonald works in Youngstown, after last year promising to keep the plant open if the employees upped their productivity (the workers made major concessions on work rules and gave up substantial benefits).

The familiar ring of the rhetoric, similar to that of the "student radicals" in Iran is no coincidence, however. The prosecuting attorneys in the trial are Staughton Lynd, the veteran labor disorganizer, and former U.S. Attorney General Ramsey Clark. Clark, who was seen in January of last year marching through the streets of Teheran waving anti-Shah and

anti-U.S. placards, subsequently became a leading agitator for forming an international tribunal to try the Shah and expose the crime of "ethnocide"—the crime of "imposing" advanced technology, such as nuclear power, on backward populations.

"The legal precedent I am looking to is the medieval morality play," says Lynd. "We're going to force the men to come out of their offices and bring them into the local communities that they are damaging."

Clark and other promoters of the "Dark Ages" model for the world economy have now targeted Youngstown, Ohio as the testing ground to try out their Iran model. Their plan is to convince the soon-to-be laid off steelworkers at U.S. Steel's McDonald works to buy the decrepit plant from the company and then operate it as a worker-owned and "controlled" operation. U.S. Steel, which is indeed guilty of the crime of disinvestment, is the made-to-order foil for Clark's assault on industrial progress. Upwards of 50 percent of U.S. Steel's sales are now in nonsteel operations.

Initial investigations show that the personnel running the labor-management confrontation and local control experiment in Youngstown are identical with the orchestrators of the Iran crisis—beginning with former Attorney General Clark. The self-professed admirer of Khomeini and the Iranian "rev-

olution" has a long history as a terrorist controller. As Attorney General, Clark established the Law Enforcement Assistance Administration which funded riot-prone and arson-prone ghetto youth gangs. Clark was subsequently the defense attorney for assorted Weathermen and Baader Meinhof terrorists. The modus operandi Clark is using in Youngstown is his usual one: stir up confrontation and social chaos to seed the ground for union busting and austerity.

Also connected to Youngstown and Iran is Richard Fernandez of Clergy and Laity Concerned. Until recently Fernandez worked with Gar Alperowitz of the Exploratory Project on Economic Alternatives organizing steel workers around a scheme to buy back the defunct Campbell works from Youngstown Sheet and Tube, which was merged into Jones and Laughlin Steel Co. in 1978. Fernandez has also been working with Clark and Richard Falk of Princeton, the leading academic "authority" on "Islamic fundamentalism" on plans to set up a tribunal on Iran.

"Our message had been simple," Fernandez told a reporter last week. "It is very short-sighted to worry about wages when steel is facing a shutdown. We figured ways to cut 20 percent off the cost of labor. The idea is: when you crank up a new mill, and get the community involved, then you can phase out seniority, and you don't have to reflect seniority in the benefits...It was amazing, the willingness to sacrifice, to act smart and cut costs. The idea of sharing the austerity, of working three hours less so that 62 guys don't get unemployed."

Looking to hard commodity options

Nearly every financial group is engaged in a speculative flight into gold and silver which could simply dissolve the dollar-centered monetary system.

Racz International, a New York-based brokerage house newsletter, reported in February:

"The announcement that Sunshine Mining intends to float a \$50 million silver-backed loan in the United States is the beginning of practical remonetization of gold and silver. By the end of 1980, \$5 to \$10 billion in corporate or government loans could be tied to gold and silver or some other form of commodity backing. By 1981, the figure could reach \$50 or even \$100 billion, with the resulting devastating effect on the dollar. Silver, gold, or other commodity-indexed loans will crowd out and depress the value of dollar-denominated, fixed-income securities—the latter unfortunately currently forming the value system of our day-to-day monetary existence."

Mr. Andrew Racz's scenario is hardly exclusive. If the issuance of gold-backed securities were tied to economic policies that reduced inflation, ordinary fixed-income securities would rise in value. However, the Sunshine operation, which includes \$300 million of silver-indexed bonds issued through Luxembourg, might have the importance that Racz ascribes to it.

Virtually every important financial group in the world has prepared a form of hard-commodity fallback option "in the unthinkable circumstances that everything else fails," as Robert Roosa put it before a Feb. 20 press luncheon in New York City. Sunshine, which

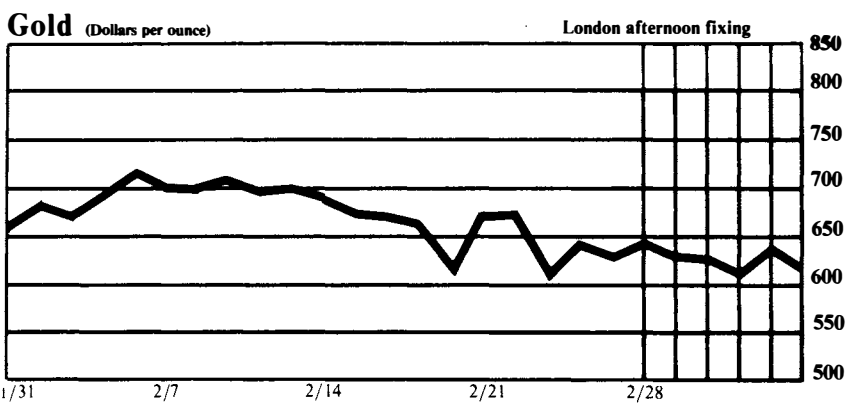
sold 19 percent of its shares to an Arab investors group that includes members of the Kuwait ruling family, is a crack in the dam.

Various other cracks have appeared in the past week. In a Feb. 25 piece for the *Times* of London, former British Prime Minister Edward Heath, a prominent member of the Brandt Commission, let slip the suggestion that the International Monetary Fund might borrow using gold as collateral—which would be a de facto remonetization of gold by the institution which most sought to eliminate the metal from the monetary system. Morgan Stanley, the most blue-chip of Wall Street investment firms, is circulating a for-clients-only report arguing a direct relationship between the gold price and the rate of credit expansion.

This could cause a chaotic dissolution of the monetary structure in the West and the "flight from all currencies into commodities,"

in the phrase of Bank of England advisor Sir George Boulton. In this event the current stabilized price tier of gold in the \$600 range and silver in the \$30 range would break sharply upwards, and gold would be simply another commodity suitable for indexation.

The expectation of a big price run-up and a flight into all commodities implies the complete paralysis of European governments, who have an entirely different plan. The European objective is to use gold reserves mobilized from their 500 million ounce stockpile to stabilize world markets and currencies. The price objective in the context of gold-based stabilization could be as low as \$500 an ounce, reports the Japanese daily *Mainichi*. In that case, central banks who have held gold or purchased gold as a reserve asset will win. Speculators who bought on expectation of a price run-up will lose—at some point. Nevertheless, Dresdner Bank Managing Director Hans-Joachim Schreiber, who buys for Arab governments and strongly supports a gold-based monetary system, believes that the price may run up to \$1,000 before any stabilization occurs.



A gamble with Japan and OPEC

The U.S. Treasury deficit can't be financed without laying hands on petrodollars. Will Japan be an intermediary?

Paul Volcker has come up with a new scheme for gaining petrodollars to finance the growing U.S. government deficit. It's called "defending the yen." Getting Saudi funds directly will become more difficult because of a combination of factors including the Saudi 5-year plan to use \$270 billion for projects at home, and the political fiasco surrounding the U.S. vote in the U.N. Security Council on Israeli settlements. Volcker hopes to obtain the funds by means of a route approvingly labeled the "pact of Tokyo" in the Swiss financial daily, *Neue Zuercher Zeitung*.

Potentially the most important of the yen defense measures announced by Japan March 2 is a provision for attracting billions of dollars worth of OPEC and other investment in domestic Japanese yen-denominated assets. Hitherto, Japan had tightly restricted foreign investment in order to maintain the disciplined system of government regulation of credit that fueled the postwar miracle economy. Under the new plan, interest rates on foreign nonresident holdings of yen assets, known as "free yen" would be free to rise to whatever level was needed to attract funds, despite continuing restrictions on other instruments.

In buying yen assets, the foreigner would first have to take his dollars to the exchange market to swap them for yen. At that point, hopes Volcker, the capital inflow

beyond that needed to finance the trade deficit would pile up as Bank of Japan reserves, i.e., Japanese holdings of U.S. Treasury notes. This is why the March 3 London *Financial Times* praised Japan's plan for emphasizing the capital account rather than deflation.

Up to now Japan's yen problem has also hurt Volcker's deficit financing efforts. On March 3 and 4 alone, the Bank of Japan sold off \$2 billion worth of U.S. Treasury bills in order to support the yen in the market. This caused the U.S. interest rate on the Treasury notes to rise a one-day record of 1 percent to 15 percent. The mammoth intervention restored the yen to 246 from its February nadir of 252—but only temporarily. As rumors hit Wall Street of a new U.S. discount rate hike, the yen fell back a point despite direct support operations in New York of \$100 million or more by the U.S. Federal Reserve Bank. In such circumstances the \$5 billion swap arrangement between the U.S. and Japan—the other major component of the March 2 package—could be blown in a week.

Despite Prime Minister Masayoshi Ohira's proclivities for aiding the Carter administration, Japanese economic reality makes it more sensible for Japan to use whatever capital inflow it garners not to bail out Carter's budget, but to restore Japan's export markets by gearing up loans to developing countries.

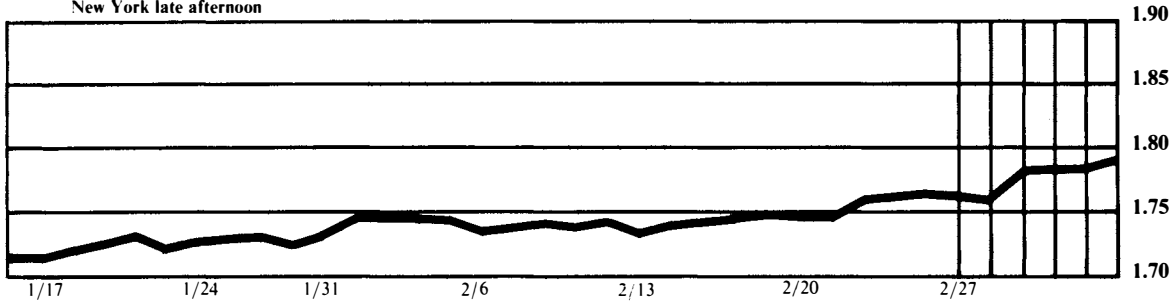
Japan is depending on a mild revival of exports in fiscal 1980 to provide the bulk of stimulus for growth. According to Yamaichi Research Institute, in 1980 the majority of projected 3.8 percent real GNP growth will be provided by a renewed trade surplus. In contrast, in fiscal 1979 the overwhelming majority of an estimated 6 percent growth was provided by domestic consumption and private capital formation.

Even the limited projected trade revival is being bought at a heavy price. Japan's quantum index now shows a rise in exports and fall in imports, meaning that Japan is paying for oil by lessening other purchases and is selling more only due to a 35 percent loss of terms of trade because of the yen depreciation. The oil price rises and yen depreciation have led in turn to an annual 18 percent rise in wholesale inflation which the government is trying to clamp down on by increasingly tight fiscal and monetary policies.

Politically the world will not tolerate a repeat of 1977-78's performance of high Japanese exports of consumer durables due to a cheap yen. As a result, an export boom which is needed to revive the economy can only be obtained beyond a few months through restoring the kind of multibillion loan program to the developing countries that former Prime Minister Takeo Fukuda initiated in 1978. Might not Japan surprise Volcker by taking the petrodollars and lending them for export financing rather than placing them in U.S. Treasury bills? There will be a lot of business pressure on Ohira to do just that.

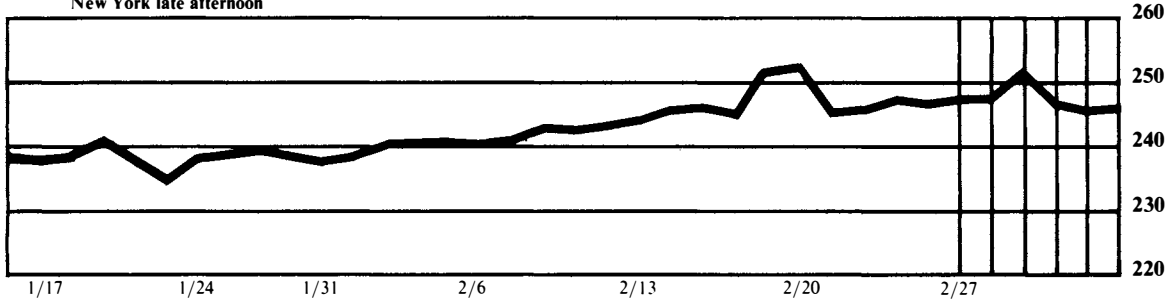
The dollar in deutschmarks

New York late afternoon



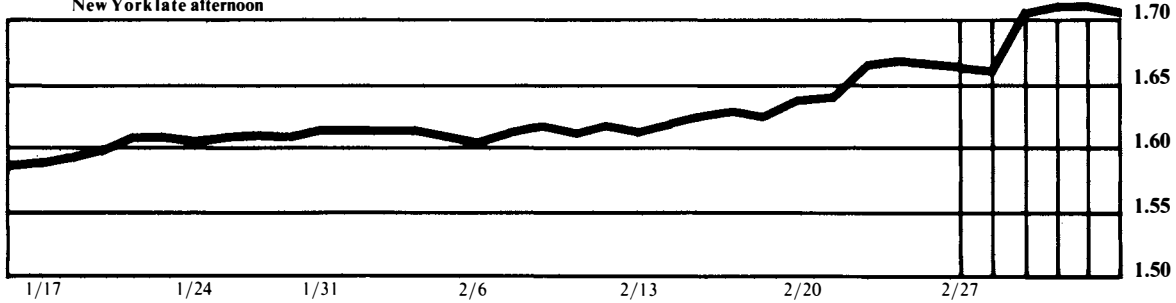
The dollar in yen

New York late afternoon



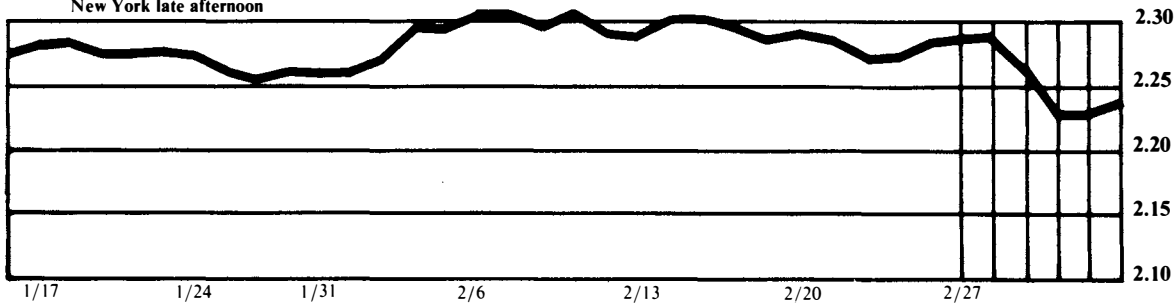
The dollar in Swiss francs

New York late afternoon



The British pound in dollars

New York late afternoon



Carter's inflationary economics—out of control

by David Goldman

The White House and its economic advisors do not have the faintest notion of what inflation *is* and that fact makes the current panic of the Carter administration over the inflation issue especially dangerous. The budget cuts, credit controls and other plans the White House has put forward in a sudden effort to reverse three years of slide into inflation are, in fact, inflationary plans. In the case of the present reworking of the federal budget for fiscal year 1981, due to be released March 17, the result is very likely to be a *hyperinflationary* plunge beyond easy retrieval.

The one thing that the White House, Treasury, and Federal Reserve are correct about is that the current situation is an emergency, as the approximate 40 percent decline in the value of long-term, fixed-interest dollar securities has made plain since Oct. 6, when Volcker first tightened interest rates in the name of “fighting inflation.” The world economy is now, broadly speaking, divided into two major groups of industrial countries: America and Britain, with inflation levels of about 20 percent, and the European Monetary System sector and Japan, with inflation at half that level or less. What the West Germans and French describe as an “interest rate war declared by the United States” will either end in the breakup of the present trillion-dollar international market or a reversal of administration policies through internal and external pressure. The coincidence of West German Chancellor Helmut Schmidt's visit to Washington this week and the shambles in the presidential primaries set in relief what an intense political crisis the inflation problem has caused.

The situation, as reflected in the debate over the federal budget deficit for fiscal years 1980 and 1981, is manifestly out of the administration's or the Federal Reserve's control. At this writing, the budget deficit could easily overreach the **\$100 billion mark**, as any

simple inspection of budget arithmetic demonstrates, while the White House is frantically trying to show a “balanced budget” for the 1981 fiscal year. What the Mad Hatter's Tea Party at the Office of Management and Budget and the Council of Economic Advisors will yield on March 17 is anyone's guess. The facts are as follows:

Carter has projected a **\$40 billion and over** budget deficit for FY 1980 ending October, and a **\$16 billion deficit** for FY 1981. Wall Street, with virtual unanimity, has declared that these deficit levels are inflationary and responded by putting the federal long-term borrowing rate at **13 percent**, the federal short-term borrowing rate at **15 percent**, the prime lending rate of commercial banks at **17.25 percent**, and the critical London Interbank Offered Rate for Eurodollars at **17.5 percent**, all record-breaking levels and all still rising.

The actual annual rate of the federal deficit is higher than Carter's “pessimistic” projections by the following amounts:

\$50 billion per year in so-called off-budget borrowing, including federally guaranteed and federally sponsored borrowing, which is identical in its impact on the markets to ordinary Treasury borrowing. The placement of federal programs on the “off-budget” accounts is simple accounting fraud.

At least \$24 billion per year in additional interest payments. The pretest FY 1981 budget “assumes” a Treasury bill rate of about 9 percent. The Treasury bill rate is now 15 percent with no likelihood of reduction, but a great likelihood of increase. For every 1 percent rise in the Treasury bill rates, given the maturity schedule on the more than \$800 billion of federal debt outstanding, interest payments rise about \$4 billion. Instead of the \$78 billion in debt service expected the federal government will pay over \$100 billion.

At least \$25 billion to maintain the real level of defense expenditures at the 3 percent per annum rate of increase demanded by the administration. In congressional testimony Feb. 28, Defense Secretary Harold Brown stated that the Treasury would spend whatever was necessary to maintain defense expenditures.

The actual rate of federal borrowing will be, without Carter's projected cuts, \$115 billion per annum—but only assuming that the administration's "moderate recession" scenario holds. Manufacturers Hanover Trust economists expect an additional \$20 billion to be added to the budget deficit in 1980 due to loss in tax revenues. In the case of a sharp downturn in nominal economic activity, the loss in tax revenues and the increase in federal transfer payments due to a rise in the unemployment rate could easily bring the additional deficit up by \$50 billion. The question of the economy's performance in terms of the misleading Gross National Product measure will be dealt with below. However, only administration employees are unwilling, at this point, to admit that the deficit is so out of control that the proposed cuts are a pathetic joke.

The monetary process, no longer the "lubricant" of real economic activity, has taken on a life of its own and become apparently uncontrollable. There is no clearer illustration of this than the relationship of the American interest rate spiral to the foreign markets during the weeks of Feb. 25 and March 4.

Dollar certificates of deposit, yielding over 17 percent, attracted a large short-term flow of funds out of mainly the Japanese yen and, to a lesser extent, the West German mark and Swiss franc. To stabilize the parity of these currencies, foreign central banks either drew on swap lines with the Federal Reserve or liquidated Treasury securities to obtain dollars with which to intervene on the foreign exchange markets.

The sudden 1 percent rise of the Treasury bill rate to 15 percent on March 5 was the result of a \$1 billion sale for the account of the Bank of Japan, which coincided with a major Treasury refunding of bills. However, according to Wall Street analysts who note that foreign intervention has exceeded \$2 billion in the past week, the Treasury has merely monetized the lost holdings of its paper ("printed money") out of fear of putting more of it on the markets.

Contrary to the usual logic, an inflow of funds due to higher interest rates is forcing interest rates upward, in a never-ceasing spiral. The Federal Reserve is helpless.

What inflation is

If inflation were merely a uniform rise in the general price level, it would not present a problem of any sort and, in any event, could be eliminated through indexation. If it were a differential rise in the levels of different



Friedmanism blew up Great Britain's economy

Schachtian economist Milton Friedman, currently in London to promote a new television series on the virtues of his economic theories, caused more damage to the British economy in the past year than Napoleon ever managed.

Under the guidance of Sir Keith Joseph, Britain's Industry Minister, Prime Minister Margaret Thatcher led the Tory government that assumed power 10 months ago in a binge of budget-cutting and credit stoppage, in an almost precise replica of the Carter administration's current proposals. Sir Keith identified the policies as the first full-scale application of Milton Friedman's economics to an industrial country.

However, rather than falling, Britain's inflation rate *tripled* from 6.6 percent per year during the last quarter of 1978 to roughly 20 percent now. With bank lending rates at 18 percent, only slightly higher than American rates, British companies are still borrowing every pound available, frustrating the British monetary authorities' attempt to continue the crunch. As a result of the high interest rates brought on by the monetary squeeze, Britain's most-used money supply measure rose at a 12 percent annual rate during the last half of 1979, against a 7 percent target rate. The Bank of England has been forced to inject more than \$2 billion into the markets during the past four weeks to prevent a shutdown due to lack of liquidity.

Friedman, however, is nonplussed. Monetarism "causes some dislocation in the short run," he wrote in the London *Times* March 1.

types of prices, the federal government could correct the differential through a variety of means, the simplest of which would be price controls. Wall Street commentators speak a great deal about the consequences of “inflationary psychology,” especially considering the population’s unwillingness to save—as if the state of the economy and declining personal income left the population with spare funds to save.

The most brutal idiocy advanced by the economics profession—the monetarist argument that fiscal and monetary lassitude create excess money and, through the “quantity theory of money,” raise price levels—has become the fallback explanation both on Wall Street and Pennsylvania Avenue. As we will show below, cutting the federal budget the way Carter proposes will breed more inflation. The White House has nonetheless adopted the assumptions of Milton Friedman. Fed Chairman Volcker dutifully brought the level of what used to be M_1 , or currency plus demand deposits, down to a 3.1 percent annual growth rate during the last four months of 1979, and M_2 to a 6.8 percent per annum growth rate during the same period. In the same period, the inflation rate doubled from about 11 percent to almost 20 percent per annum.

Britain’s Thatcher government obtained even worse results during its nine months in office, succeeding in tripling inflation while reducing money supply growth (see box on page 15).

Washington’s current disorientation may be characterized by its obsession with those economic theories which are most obviously disproven by readily available facts. Any simple comparison of numbers (with or without time lags) shows that there is no *direct* relationship between inflation and the money supply.

The place to look for the cause of inflation is not at the money level, but at the level of the tangible economy. Even Milton Friedman’s cited forebears, like Sir William Petty and Adam Smith, knew that, for tax purposes, the most rapacious government had to know what *tangible product* could be disposed of. Any policy which shifts economic activity away from tangible goods production toward nonproductive activity, like military spending, is inflationary. Carter’s policy, which proposes to collapse the productive sectors of the economy in favor of Schachtian military and energy schemes, is *hyperinflationary* in the precise meaning of the word. Carter’s policies create self-feeding, accelerating deterioration of the productive sectors of the economy while otherwise increasing nonproductive incomes, resulting in a continuously accelerating rate of inflation.

Net of inventory changes and lags in financial intermediation, the price of all goods produced in a given period is at least equal to all incomes earned in that period. Credit expansion in excess of saving may also

create temporary price increases in goods in short supply, like oil or basic metals. Any increase in the proportion of total employees engaged in producing tangible goods, or a rise in the productivity of labor, will lower prices. A fall in the proportion of employees producing tangible product or a drop in productivity raises prices.

Since 1971, when Treasury Secretary John Connally and Undersecretary Paul Volcker eliminated the dollar’s link to gold, inflation has become self-feeding. The now-trillion-dollar Eurodollar market enabled the petroleum companies and similar groups to rig the price of basic raw materials, raising the cost of investment in tangible production as opposed to investment in, say, McDonald’s franchises or gambling casinos. Reductions in the level of tangible-product investment, and the consequent reduction in the rate of growth in productivity of labor, raised the American economy’s underlying level of *structural inflation*. In turn, structural inflation eroded sources of long-term financing for productive investment at home and abroad, and channeled profits into inflation-producing forms of nonproductive investment and speculation.

Part II of this survey will analyze structural inflation in depth. The above summary will suffice as a guide to examine the administration’s and various private proposals for dealing with inflation.

What won’t work

Cutting the federal budget. The criterion for deciding whether a change in the federal budget will help or worsen the inflation problem is how it will change the tangible product of the economy relative to total incomes. The present budget, as *EIR* has documented, contains a staggering inflationary bias, especially when so-called off-budget spending is taken into account. Carter proposes to spend an additional **\$15 billion** (actually **\$40 billion**, as noted above) for defense and at least **\$10 billion** per annum for “energy security,” which does not add a barrel of oil to the nation’s energy supply. The budget implies a **\$50 billion** increase in nonproductive spending.

Much worse, the budget contains a much larger reduction of productive activity otherwise supported by the government, including a **\$40 billion** increase in taxes per annum and a **\$10 billion** reduction in off-budget support for the prostrate housing market. In these major categories alone, the budget, as it currently stands, contains a **\$100 billion** net swing from productive to nonproductive activity. Certain nonfiscal features of federal policy, including the halt in construction of 14 nuclear plants around the country, proposed trucking deregulation, the dismantling of the Midwestern rail network, and related policies, will have further deleterious effects

on the productive sector. (Trucking deregulation, if it is approved, will cost about \$20 billion per year, according to an *EIR Special Report*). Worst of all, the explosion of interest rates in response to the real deficit levels will choke off all economic activity requiring long-term investment (except that demanded by the Department of Defense and the Department of Energy).

That is how matters now stand. As noted above, cutting \$15 or \$20 billion from the budget is already a joke, since the federal government will pay more than that in excess interest charges in any event. Reportedly, Fed Chairman Volcker has demanded a 10 percent real-dollar cut in the FY 1981 budget, or about **\$70 billion**, as the condition for monetary stability. If Carter decided to remove his pet energy and military projects from the budget, the rough equivalent of resigning his office, Volcker's proposals might be ameliorative in a significant way.

However, the proposed mammoth cut in the budget

would probably follow the direction of Carter's current proposed reductions, hitting the consumer sector of the economy most directly. Presumably, the reduction in incomes due to a drop in federal transfer payments would be matched one-for-one by a drop in expenditures, because the savings rate is now around zero, and there are no sources of consumer credit open to low-income individuals. Tangible goods production in the consumer sector would therefore contract sharply, with a much sharper reduction than the 10 percent drop in consumer durables' output during 1979 spreading also to nondurables, which held fairly steady during that year.

At very best, the inflation effect would be neutral, eliminating both incomes and output. However, the likelihood in the real world is that the fungus-like growth of the military, "energy security" and similar sections of the budget would continue to overrun their spending targets by several tens of billions of dollars, pushing the budget mix even further over to the inflation side.



Milton Friedman

New book to expose Nazi doctrines of Friedman

Democratic presidential candidate Lyndon LaRouche announced Feb. 29 that he and financial analyst David Goldman, *EIR*'s Economics Editor, are currently producing a book which will expose Nobel prize winner Milton Friedman as a self-confessed Nazi economist.

The decision to produce the book was triggered by Friedman's public declaration of his admiration for Nazi Finance Minister Hjalmar Schacht on a radio talk-show during this past year. Friedman's public confession of his Nazi sympathies showed that the resemblance of Friedman's "fiscal austerity" doctrines to those of Hitler's Nazis is not a coincidence. Friedman has publicly acknowledged the connection.

The book will show that the presently adopted

economic policies of many Republican presidential campaigns are based on the Nazi-imitating doctrines of Friedman and F. von Hayek. The current "energy" and "austerity" policies of the Carter administration are also Nazi-modeled. The included object of the book, says LaRouche, is to shame honest Republicans and Democrats into second thoughts concerning the Nazi-like evil they are condoning under the mislabeling of "fiscal conservatism."

The book is presently scheduled to be off the presses early this spring, well in advance of the June 1980 final round of primary campaigning.

In making the announcement, LaRouche referenced an hour-long conversation he had with France's Jacques Rueff on the subject of Nazi economics. They compared Rueff's published treatment of Schachtian "fiscal conservatism" as "inflation turned inward" with LaRouche's different approach, leading to the same conclusion.

They also discussed LaRouche's approach to creating a new, gold-based monetary system, a basic monetary reform which both LaRouche and Rueff saw as the only alternative to an imminent revival of Nazi-like economic and monetary policies among the OECD nations.

The new book, said LaRouche, will honor the late Jacques Rueff's own published analysis of Hjalmar Schacht's methods, demonstrating that the economic and monetary doctrines of Friedman and von Hayek are identical with those of the Nazi regime.

In any event, the political likelihood of a \$70 billion budget cut is in the order of a Harold Stassen victory at the Republican convention this summer.

Credit controls. The strongest argument against the credit controls proposed by Henry Kaufman of Salomon Brothers and other economists came from Paul Volcker himself. Volcker informed the White House, which considered that measure over the past week, that the Fed could not impose such controls on private credit extension while the federal government continued to borrow **\$100 billion** a year. The issue appears shelved.

The deeper point is that structural inflation is now so advanced and will be so exacerbated by the Carter budgetary program that credit controls are out of the question. The economy is so short of basic capital goods capacity that the military spending program about to come on line implies rates of inflation this country has never seen. Currently, the **\$60 billion**, five-year auto industry retooling program has absorbed enough machine tool capacity to put a three-year wait on completion of all new machine-tool orders, *before* the military push really comes onstream. The demands for steel shapes and special metals of the **\$20 billion** synthetic fuels program, which proposes to build gigantic piles of plumbing next to coal mines, will impose a shortage on basic steel capacity in the United States (which the steel companies, engaged in reducing capacity, have been counting on).

The 54 percent per annum rate of increase of durable goods orders during the November-January period has convinced some economists that the economy is not going into recession, and will therefore experience ordinary "boom" inflationary pressures. As Part II of our survey will document, the bulk of this spending is either related to "energy-saving" or "military production" and will not add to available useful tangible output. This is a boom, fostered by the Carter administration, in the nonproductive sector; since the government is demanding it, it must be financed and credit controls are out of the question.

Reducing dependency on imported oil. Strictly speaking this has nothing to do with inflation, but the Carter administration insists it does. They propose to deal with the problem of high-priced imported oil by

- politically undermining any agreement with the OPEC producers of the type French President Giscard has tried to initiate;
- eliminate nuclear power construction;
- eliminate price controls on the domestic price of oil; and
- build "synthetic fuel" plants which require (in constant 1979 dollars) a \$40 per barrel oil price to turn a profit.

There is, of course, some truth to Carter's claim that inflation is in part due to high oil prices. However, West Germany, which must import all its oil, has consistently sustained an inflation rate at about half the American level. This is due to West Germany's proindustrial and pronuclear policy, through which that country has compensated in part for the higher oil price through increases in the productivity of labor. The issue of imports versus domestically produced oil is entirely irrelevant to inflation. Britain, which has become an oil exporter, is America's only competitor in a race to reach the 20 percent per annum inflation level.

Supply-side economics. The Joint Economic Committee of Congress, presidential candidate Ronald Reagan, and various other groups have adopted the tax-cut theory best associated with University of California's Arthur Laffer, economic journalist Jude Wanniski, and Congressman Jack Kemp (R-N.Y.). With a new computer model prepared by the formerly Keynesian Data Resources, Inc., the Joint Economic Committee issued a report calling for a **\$25 billion** tax cut, about equally divided between consumers and corporations. The JEC claimed that this would reduce the inflation rate by 4 percentage points by the late 1980s.

"Supply-side economics" has become a fad, now involving the JEC, the Harvard Business School, the major computer econometrics firms like DRI and former Chase Econometrics chief Michael Evans, as well as the old Laffer-Wanniski-Kemp boosters. Any number of variants of the proposition have emerged, but it can be summarized very simply. The thesis is that tax cuts properly applied will generate sufficient economic activity to make up or more than make up the lost tax revenue, by giving producers incentives to produce more and expanding the tax base.

There is both obvious truth and obvious fallacy to this proposal. In an economic environment where energy, credit, and other policy considerations place intolerable burdens on long-term, capital-intensive investment required to expand tangible output, the proposed tax cut would be pure inflation. True, it would increase the rate of savings, but these savings would be applied to those ventures already defined as "profitable" in the context of aggravated structural inflation. However, Japanese-style tax breaks on depreciation of new capital investments, would be an essential feature of breaking structural inflation.

None of the supply-siders seem to understand this. Congressman Kemp, in his recent book *An American Renaissance*, seems to think that investment in professional sports teams is no different than investment in steel mills.



Rohatyn recommends a national 'Big MAC'

Attendees at the Feb. 28, 1980 Financial Conference of New York City's well-known corporativist think tank, the Conference Board, heard their featured speaker warn that the United States is "headed for national bankruptcy."

The speaker? Felix Rohatyn, partner of the Lazard Freres investment banking house and head of the infamous Municipal Assistance Corporation (Big MAC) that has overseen the looting of New York City's municipal services since 1975. His answer to the impending crisis? The creation of a national Big MAC, which would supersede the authority of the U.S. Congress to impose fascist controls on the economy.

The following are brief selections from Rohatyn's anti-inflation prescriptions for the national economy—prescriptions no better than the ones recommended by the administration.

It has been apparent for some time that our economy was out of control, our currency in danger and that the ability of our government to react was inadequate. Inflation is accelerating... What is happening to the U.S. in 1980 is similar to what happened to New York City in 1975, namely a slide towards bankruptcy. This led me to conclude last year that an approach at the national level similar to the one we took at the city/state level was needed. This approach includes:

1) A temporary 12-month wage/price freeze, together with extreme budgetary restraint. This should include a cut of at least \$20 billion in current outlays to break inflationary expectations and provide a solid base from which to adopt an integrated, multi-year economic strategy.

2) A significant gasoline tax (at least \$.50 per gallon) to reduce consumption, strengthen the dollar and provide the basis for a dialogue with OPEC concerning pricing, long-term supply and alternative payment methods for oil. The only alternative to a gas tax is rationing, which, in my judgment is a poor second best.

3) The creation of a bipartisan commission modeled after FDR's Temporary National Economic Commission of 1938 to recommend an integrated economic strategy, both domestic and international, for the next two decades. Domestic and international policies are, after all, sides of the same coin....

The Temporary National Economic Commission would... recommend an economic strategy for the U.S. for the next two decades. It must do so for two basic reasons: first, because nowhere in government today does strategic economic planning take place; second, because difficult, controversial policies must originate from nonpolitical, credible bodies, created in an atmosphere of emergency, to generate the political support enabling the President and Congress to act....

The TNEC should consider recommending a change in the role and makeup of the Council of Economic Advisors to perform a similar function to the Joint Chiefs. The CEA could become a permanent, independent body of "wise men" outside of the executive and legislative branches to review the budget on particular and economic policy in general and report to the President, the Congress and the public....

We are at a turning point in our economic, social and political life. It has been coming for a long time and it will take a long time to adjust to the new realities. If the impetus for reexamination does not come from the political leadership seeking solutions, it will come from the markets demanding them.... There is a clear danger that continued deadlock over many of these issues or continued application of bandaids will ultimately create social and political upheavals of unforeseeable dimensions. What we are facing is not only a sudden economic emergency caused by a few unpredictable shocks. We are facing a political and social crisis of major dimensions.... The social fabric... is taut as a bowstring, tight as a drum. If pushed hard, it will not give but will come apart. It is not a risk worth taking....

Business Briefs

Corporate Strategy

Will Reagan fall for "supply-side economics"?

"The great debate of the 1980 Presidential campaign could be about supply-side vs. demand-side economics" wrote *New York Times* commentator Leonard Silk in his Mar. 5 column. According to Silk, "supply-side economics" could become the "special battle cry" of Republican presidential hopeful Governor Ronald Reagan. Champions of this "new" brand of economic theory claim to be concerned with the problems of fostering greater capital formation and technological innovation. Silk, however, traces the origins of "supply-side" theory back to the eighteenth century French Physiocrats who "put their stress on devising tax structures that would unfetter business enterprise and liberate labor to greater productive efforts."

Of course, any student of economic history knows that the Physiocrats sided with the British "free traders" against the "fetters" of French industrial progress and for the maintenance of France as a backward, primarily rural nation. Could today's "supply-siders," who claim that the "free market" will spontaneously solve our economic problems, have the same effect on today's American economy?

Transportation

New push to scrap key Midwest rail lines

The recent *Journal of Commerce* editorial, "Adding to Burial Costs," is symptomatic of a new push to junk the pivotal Midwest rail arteries—in this case the Rock Island and Milwaukee Road lines—inspired by the austerity campaign of the Carter Administration and its erstwhile opponents among free-market Republicans. The *JOC* lauds Chicago-based U.S. District Court

Judge Frank McGarr's pronouncement of late January that all reorganization plans were to be rejected and the Rock Island Line scrapped altogether. "There comes a time in any course of events when the end is inevitable," McGarr told the court.

But, complains the *JOC*, that decision was five weeks ago—and the Rock Island is still limping along! And the same goes for the Milwaukee Road, successively reorganized down to a core 3400-mile system waiting for the plug to be pulled. The ICC bureaucracy and "local interests" are the *JOC*'s criminals of the hour.

Tax money is being "squandered" in delaying the "inevitable," rails the *JOC*—despite the fact that, as they acknowledge, at successive public hearings held throughout the areas affected by possible rail shutdowns it was demonstrated over and over that these particular rail lines are crucial to the area's economy.

The liquidation process sped up, insists the *JOC*, giving a hint at hatching plans to come, because the Rock Island and the Milwaukee Road "are not likely to be the last railroads to go through this process," pointing the finger now at Conrail.

Raw Materials

Saudis refuse Duncan's oil reserve bid

U.S. Energy Secretary Charles Duncan met with a negative response from Saudi Arabian leaders in his effort this week to gain approval for U.S. purchase of Saudi crude oil for the strategic reserves. Following the completion of Duncan's three-day visit to Riyadh, Saudi Oil Minister Zaki Yamani explained the reasons for his country's staunch refusal to supply crude to the reserves. "The Saudi Government's policy is to meet real consumer demand in the world and not for the purpose of building reserves. ... We don't like to see any building of

that strategic reserve. ... We don't think it is necessary."

The Saudis are concerned that the U.S. government could destabilize the world oil markets with its efforts to buy 100,000 barrels a day of crude. The United States bought reserve crude from international spot markets and contributed to the price spiral in 1979. At present the Saudis are attempting to stabilize world oil prices and reunite the price of crude produced by the oil cartel, OPEC.

According to informed sources, the Saudis will continue to produce 9.5 million barrels a day, a full 1 million barrels over their official production ceiling.

International Credit

Philippines Says No to World Bank

The World Bank has been in a quiet snit the last several months over the fact that President Ferdinand Marcos of the Philippines has rejected World Bank and International Monetary Fund recommendations to make deep cuts in the Philippines development program.

The World Bank has pointed to the Philippines current trade deficit, now \$.5 billion a year, its total overseas debt, reaching \$9 billion, combined with a 31 percent yearly inflation rate as evidence that the Philippines must abandon its previous ambitious industrial development programs. Instead, the World Bank has asked Marcos to add on several labor-intensive development programs for the Philippines.

But Marcos has correctly assessed that such a labor-intensive strategy will shatter all hopes of Philippino economic growth and condemn his nation to perpetual backwardness. So, early this year, Marcos announced that he had decided to press ahead with a \$6 billion program for 11 industrial projects. These include a quarter-of-a-billion-dollar copper smelter project that will allow the Philippines to produce 150,000 tons of copper a year; an aluminum smelter plant

Briefly

with a capacity of 100,000 tons per year; an expansion of the Philippine cement industry to 1 million tons per year, as well as steel and natural gas production.

The key to Marcos' program is the fact that his country is attempting to structure its industry so as to highlight and bring to maturity its export industry as well as internal industry, and to junk the philosophy of "import substitution" as an unworkable strategy. The World Bank responded very pessimistically to the Marcos moves, stating, "Commitment to either of (these) billion dollar projects, unless financed solely by direct foreign investment, would reduce by a very substantial margin the already limited scope for flexibility in public finance management and the balance of payments."

Foreign Exchange

Britain caught in Friedmanite vise

Bank of England head Gordon Richardson, over the last 2 weeks, has been pumping liquidity into the British economy at a high rate in an attempt to alleviate the liquidity squeeze in Britain and hold down British interest rates. The jump in U.S. interest rates to above 17 percent last week has caused a large-scale outflow of funds from Britain. Normally, this would be dealt with by allowing British interest rates to float upward, but with the Minimum Lending Rate already at 17 percent, any rise in the lending rate would put in jeopardy the ability to fund Britain's own budget deficit.

The British budget is due to be released at the end of this month, and were the interest rate to go higher, monetary authorities fear, there would be a panic about the prospect of financing it. However, Richardson's liquidity pumping move has opened a breach in PM Maggie Thatcher's tight money policy big enough to drive a truck through. With inflation still above 18 percent, any loosening of the money supply

(which was still 10 percent higher in January, 1980, than a year earlier), is bound to draw fire from the "hard liners" in Thatcher's cabinet. Meanwhile, the pound has begun falling in response to the outflow of funds, closing March 6 at \$2.24, down 4¢ from a week earlier. Nine months after coming into office, Mrs. Thatcher has seen inflation increase and investment fall, in response to her austerity measures. The U.S. interest rate hike has thrown into sharp relief the shakiness of her strategy.

International Credit

Treasury: "Some Countries May Stop Borrowing"

Although the international banking system is currently flush with funds deposited by the OPEC countries, very few loans are being extended to the non-oil producing developing countries, according to a highly placed U.S. Treasury official. The paralysis in the international market is caused by skyrocketing Eurodollar interest rates. It is aggravated by the "cat and mouse game" which has broken out between the banks, who are insisting on higher profit margins on their loans, and the borrowing countries, who refuse to accept higher borrowing costs and have instead chosen to run down their reserves.

The Treasury official said that the confrontation between the banks and the governments could end in a situation where "some countries may stop borrowing and make the adjustments that have to be made." Asked whether such "adjustments" were politically feasible given the sheer volume of developing sector financing requirements, the official responded: "That is your judgment. I think it can be done. ... No one is going to force these countries to do anything. Look at Turkey. Turkey wasn't forced to make adjustments. They simply ran out of string and had to do something."

● **CHARLES SCHULTZE**, director of the Council of Economic Advisers, seems to be an eternal optimist. When the Producer Price Index for February was released March 7, showing producer prices up 1.5 percent after an increase of 1.6 percent in January—an annual rate of 18.5 percent—Schultze gulped and told the press that the trend would stop. "All my indicators," Schultze stated March 7, "indicate inflation won't go on" at its current rate. No one yet knows exactly where Schultze's indicators come from.

● **G.W. MILLER**, the Treasury Secretary, has reportedly rebuffed two private requests this week from people inside the Carter campaign organization that he resign. While getting high marks for being a "team player," Miller has recently been cited by the Carter strategists for giving the impression that the administration has no strategy for stopping inflation. An angry Miller is said to have told the Carter strategists, "when you boys clean up Iran, I'll bow out," indicating that he didn't think he should be placed with full blame for the Carter administration's current problems.

● **PRESIDENT CARTER** presented his \$10 billion proposal for converting 107 northeastern powerplants from oil or gas to coal in an unusual Capitol Hill ceremony on March 6. The plan came under prompt attack from observers who pointed out that the program would bust the nation's frail rail system. But Senator Edward Kennedy immediately denounced the plan as "too timid," and called for a \$20 billion conversion effort.

New Hampshire: the vote against Trilateralism

by Konstantine George

The New Hampshire vote on Feb. 26 represents a defeat of the New York-based Council on Foreign Relations and its spin-off, the Trilateral Commission. The results: Reagan's overwhelming 2:1 romp over Trilateral Commission member, George Bush, and the acquisition of between 20 and 25 percent of the Democratic primary vote by conservative Democrat Lyndon LaRouche—although there was a defrauding of that vote around a Carter-Kennedy deal, that left a trail of criminal vote fraud evidence “as wide as an interstate highway.” LaRouche received an “official” 2 percent of the vote. Taken together, the turn-out for Reagan and LaRouche constitute a clear voter mandate against not only Trilateral Commission austerity, economic and foreign policy debacles associated with the Carter administration, but a rejection of any continuation of Trilateral government under George Bush or other commission candidates.

There is no doubt that the New Hampshire vote was a referendum on the question of the Trilateral Commission's policy. The word referendum is not arbitrarily chosen. The LaRouche campaign through a heavy, paid media effort and the largest organizational presence of any Democratic campaign organization in the state, made Council on Foreign Relations-Trilateral policies and candidates the leading issue of the campaign, recognized—and bemoaned—by the *Washington Star* newspaper subsidiary of Time, Inc.

LaRouche's campaign against the Trilateral Commission indirectly provided Reagan with the margin of his election victory in New Hampshire. The relentless exposure of Bush, the “blue blood,” as a CFR-Trilateral liberal propped up by nothing more than media hype, and as one committed to a version of Nazi economics worse than Carter's, ended the short-lived status of Bush as the CFR's front-runner. For that matter, it ended his chances for the nomination.



Photo: NSIPS

The New Hampshire vote has already led to a significant alteration in the CFR's electoral strategy. The Carter-Bush deal that was operative till that point is now a thing of the past. The new CFR "perspective" is as follows.

The Democratic scenario

On the Democratic side, the carrying out of the wholesale defrauding of LaRouche means that for the short term, the original Carter-Kennedy deal arranged last fall to counter LaRouche's declaration of candidacy in the Democratic Party is still operative. Under that arrangement, Kennedy—the only personage in the party and the country hated more than Carter—would agree to announce, providing a foil against which Carter would campaign.

To date, as any honest poll of Democratic local and state officials, as well as the public, would attest to, anti-Kennedy sentiment is the major prop holding up Carter.

It is useful in this regard to examine the chronology of events that occurred between the third and the fifth of November 1979, which tell the story.

The taking of the hostages in Teheran occurred on November 3. This publication has amply documented that the Carter administration set up the Teheran hostage crisis deliberately. On November 4 Kennedy declared his candidacy, following months of a saturation media barrage in adulation of "Ted and Camelot." The day Ken-

nedy announced the same controlled media opened fire with Chappaquidick, beginning with CBS's "60 Minutes" program. A day later, Chicago Mayor Jane Byrne—the most hated politician in Illinois history—endorsed Kennedy. The Byrne "Kiss of Death" ensured the outcome of the Illinois primary months in advance.

The maintenance of this CFR Democratic primary script will be determined by ability of the New York crowd to contain, through media blackout and defrauding, the momentum acquired by the LaRouche campaign

The Republican scenario

On the GOP side, the CFR is reduced to two possible options. The first and preferred one is preventing Reagan from acquiring the nomination by deadlocking the convention; they will attempt to throw the vote to a "figure around which the party can unite." In this light, the Gerald Ford option has surfaced. The second option, should Reagan prove unstoppable, is the saddling of Reagan with a CFR designated running-mate. Inside Wall Street investment banking circles, Kissinger's protégé, former NATO commander, Alexander Haig, is the preferred choice for the No. 2 slot.

Any choice under the deadlocked convention option, Ford included, would ensure a de facto Henry Kissinger presidency. Ford has already been quoted in *Newsweek* that if he were President, he would appoint Henry

Kissinger, Trilateral Commission Executive Committee member, as his Secretary of State.

If the choice of candidate were left exclusively to Republican voters, the fact that only Reagan has a base and the capability to create party volunteer organizations would settle the convention question as of this moment.

The Anderson facade

Such, however, is not the case, as the Massachusetts primary demonstrates. In Massachusetts Reagan won an absolute majority of GOP voters in a state where he is traditionally weak. Behind the media garbage concerning Anderson's vote, the facts are that Anderson received most of his votes from liberals, primarily students who are registered as "independents," but including Democrats. Anderson will also receive the vote from this anti-mainstream layer in Illinois, Connecticut, and New York this month, being the unique beneficiary of the CFR decision to keep Jerry Brown out of the running in the March primaries.

Anderson's bankrollers are the California and New York liberal Democrats in the media world, like Stanley Sheinbaum and Norman Lear, who in the past helped bankroll Jerry Brown into the governorship, and also bankrolled the disastrous McGovern radical-liberal candidacy in 1972, the effects of which Democratic political machines have yet to recover from.

The Massachusetts GOP primary was anything but that. One statistic proves the case. There are 421,000 registered GOP voters in the state. The turnout for the "GOP" primary was 390,000; 93 percent.

In every state where the crossover rules apply, the liberal Trilateral GOPers and liberal Democrats will attempt the same vote pattern. That, plus the huge media play accorded Anderson, is the only way he can stay around with the convention.

As shown elsewhere, Anderson's other designated CFR purpose (Anderson himself is a member of long standing of the CFR, the Trilateral Commission and the "one worldist" Bilderberg Society) is through his standard "New Citizens Coalition" speech and theme, to use his candidacy for the active promotion of a zero-growth fascist movement in the U.S. Anderson is Jerry Brown in Republican clothing.

The key to wrecking the CFR electoral strategy is the continued demonstration in the campaign of *the reality principle*. That is, as demonstrated in the New Hampshire campaign, Reagan and LaRouche are the two best vote-getters. If the Reagan local machines mobilize through statewide volunteer organizations, and if the votes cast for LaRouche are actually tallied in Illinois or Wisconsin, then the media constructed "candidates," Carter, Kennedy, Bush, Anderson, etc., are untenable.



Trilateral will meet to choose next President

by L. Wolfe

Some Americans think that they choose their presidential candidates through party primaries, caucuses, conventions, etc. In 1980, as it was in 1976, the next American President is being chosen among the boys in the back room at the New York Council on Foreign Relations and its offshoot, the Trilateral Commission.

A subsequent issue of this journal will detail the ugly truth about the way the Trilateral Commission and its minions control U.S. policy. Let us focus here on what the Commission has in store for the 1980 election, using information recently obtained from sources close to executive director George Franklin.

According to Franklin, the Commission meeting scheduled for London March 23-25 will have two agendas. The public one will discuss crucial international policy questions, including discussions on global security questions, the crises in the Mideast and Persian Gulf, the international economic crisis, with special emphasis on its effect on national governments and international institutions. Significantly, the Commission will receive major input from what are called "Empire People."

The "British model"

This refers to the leadership of the Royal Institute for International Affairs, the International Institute for Strategic Studies, Oxford and Cambridge University and the royal family itself. Special input will be provided by the relevant controllers of the current Thatcher regime in Britain, including the Prime Minister and her Svengali, Sir Keith Joseph. Sources report that the economic policy discussions will be framed around a discussion of the "British model" for austerity as administered by Joseph and company. The plan of the Commission, these sources indicate, is to export the model in workable form into the United States.

This provides the context for the "private agenda," a

What they'll discuss

The Trilateral Commission will be meeting in London from March 23-25. Here's a preview of the agenda and the speakers.

March 23

Morning Session

Opening statements by the three regional chairmen

Takeishi Watanabe, Japan
David Rockefeller, North America
Georges Berthoin, Western Europe

Seminar on current developments in Britain

Peter Jenkins, *The Guardian*
David Watt, director, Royal Institute of International Affairs (Chatham House)
Peter Openheimer, lecturer in economics, Oxford University

Luncheon

Speaker: Kiichi Miyazawa, member of the Diet
Luncheon chairman: Edward Heath, former Prime Minister

Afternoon session

Seminar on state of trilateral relations

George W. Ball, senior managing partner, Lehman Brothers Kuhn Loeb
Sir Andrew Shonfield, professor of economics, European University Institute
Hisashi Owada, visiting professor, Harvard University; former assistant to Japanese Prime Minister

Reception and dinner

Reception and dinner with H.R.H. the Prince Philip, Duke of Edinburgh, at the Porter Tun Room, Whitbread (Chiswell Street, London EC1)

March 24

Morning Session

Discussion of draft task force report on "Technological and Structural Changes and Their Implications for Employment"

Heinz Markmann, director of Economics and Social Science Institute of the DGB, Düsseldorf
Richard Nelson, professor of economics, Yale University

Tadashi Hanami, dean of faculty of law, Sophia University, Tokyo and former member of Central Labor Council

Luncheon

Speaker: James Callaghan, leader of Labour Party; former Prime Minister

Afternoon session

Assessment of global security balance

Christoph Bertram, director, International Institute for Strategic Studies
Robert Ellsworth, former U.S. Deputy Secretary of Defense (1976-77)
Kiichi Saeki, president, Nomura Research Institute

Reception with Prime Minister Margaret Thatcher at 10 Downing Street

Dinner

Speaker: Foreign Secretary Lord Carrington at Lancaster House

March 25

Breakfast meeting of executive committee at Carlton Tower Hotel

Morning Session

Discussion of the task force report on "North-South Trade"

Albert Fishlow, professor of economics, Yale University
Jean Carriere, former director of the World Bank European office; director-general of French National Tobacco Company
Sueo Sekiguchi, senior research fellow, Japan Economic Research Center

Luncheon

Speaker: Sir Shridath Ramphal, secretary-general of The Commonwealth

Afternoon session

Open discussion of Middle East problems

Dr. Arrigo Levi, columnist, *La Stampa* and *The Times*

Future program and activity of Trilateral Commission

discussion of the 1980 U.S. presidential race and in the words of Franklin, acceptable options in both parties. Jimmy Carter, former Commissioner placed into the White House by this crowd in 1976, is an acceptable candidate in the Democratic Party. But this is not sufficient. Franklin and his fellow commissioners fear that the economy will "soon catch up to Jimmy Carter." He may be propped up long enough to get through the primaries, Franklin recently commented, but he "will have a hell of a time making it through the general election." The plan is for Carter to formulate a "cosmetic" economic policy package that has little hope of success, but it one flavored with some "emergency actions" that will take people off his back for a while.

The real problem, Franklin thinks, is that "no one really knows what to do in the short term about the economy and poor Jimmy Carter is going to pay for it." Franklin pointed out that the only thing saving Carter right now from an angry public is Senator Edward Kennedy. Kennedy is viewed as such a total incompetent by the American public that Democrats will vote for Carter. As long as no one else makes headway in the Democratic Party, then Carter is assured of the nomination. His real fall from grace, Franklin indicates, will come after the Democratic convention in August.

This means that the Trilateral Commission must find an acceptable candidate in the Republican Party. Franklin and others have identified Commissioner John Anderson and George Bush as acceptable candidates. Anderson, however, is not yet viewed as a real possibility to get the nomination. Former Commissioner George Bush is a preferred candidate, but his campaign, despite "the best efforts of many good people," is faltering.

Ronald Reagan, whose troops waged successful warfare against the Commission in the recent New Hampshire primary, is totally unacceptable to most members of the Commission. He must be stopped, said Franklin, or if not stopped "slowed down and placed in a harness."

If the combination of Bush and Anderson can't stop Reagan, then somebody else will have to do it. Franklin identified the most likely "somebody" as former President Gerald Ford, whose top advisor is Commissioner Henry Kissinger. Ford will be meeting over the course of the next week in Washington with several U.S. Commissioners, including Kissinger and will decide soon on making an open run for the White House.

Franklin and his friends resent the attacks on them by Reagan and others for manipulating U.S. politics.

"It is true that Jimmy Carter was a Commissioner," says Franklin. "It is also true that many of his top personnel and cabinet officers are Commissioners. But that would be true of any person who is elected. We are not really a conspiracy."

Will Trilateralists be able to stop Ronald Reagan?

by L. Wolfe

The "boys in the back room" at the New York Council on Foreign Relations and its offshoot, the Trilateral Commission, are decided that Ronald Reagan is not the preferred presidential candidate of the Republican Party. It is not that they particularly fear Mr. Reagan as an individual. What concerns people like Trilateral director George Franklin and others is the potential of a Reagan candidacy to mobilize a grassroots constituency within the U.S. against the Commission and its policies.

Franklin and others expressed this fear in the aftermath of the Feb. 26 New Hampshire primary. They openly admit that it was the mobilization of the Reaganites at the local level in New Hampshire against the Trilateral Commission that produced a victory of landslide proportions for Reagan over the commission's George Bush.

It was this victory which prompted the Trilateral Commission to move to regain control over the GOP.

As of this writing, in the wake of primary results in Massachusetts and Vermont, the GOP race has been scrambled. Enough life was breathed into the sagging campaign of former Trilateral Commissioner George Bush to get him through the southern primaries and into the March 18 Illinois primary. Trilateral Commission member John Anderson—thanks to an extensive campaign by Walter Cronkite, the *New York Times*, and other media outlets—has been catapulted into national prominence; the irony is that most of his votes in both Massachusetts and Vermont came from "liberal" Democrats and independents, who crossed over to vote for "straight-talking John" under Cronkite's prodding. And just on the sidelines is former President Gerald Ford, whose fortunes are known to be manipulated by Trilateral Commissioner and former Secretary of State Henry Kissinger; Ford will enter the race if Kissinger sees fit.

The apparent strategy of the Trilaterals is to deadlock the July convention, denying Reagan a first ballot nomination. This requires keeping "blocs of delegate votes" committed to candidates like Bush, Anderson and if necessary Ford, keeping Reagan's delegate totals below the required "half plus one."

This ploy is facilitated by party reforms which provide for proportional allocation of delegates in every primary state with the exception of Reagan's own California. If the "preferred" candidates Bush, Anderson and Ford stay in the race to the end, it may be possible to tie the convention in knots, setting up a deal that would ease Reagan out of the nomination "for the good of the party." This is being prepared by a barrage of recent columns in the media, about Reagan leading the party towards a 1964 Goldwater-type rout, in which the GOP would not only lose the White House but seats in Congress as well.

None of this may work, so the Trilateral strategists have a "fallback option": If Reagan can't be stopped from getting the nomination, take control of his campaign by making a "preferred" candidate his running mate. Some Republican insiders are already suggesting Bush, or perhaps former NATO Supreme Commander General Alexander Haig, Jr., who was himself once fielded as a possible presidential candidate.

The campaign of Senator Howard Baker is now a footnote in history, fading away after New England primary defeats. Baker, also acceptable to the Trilateral Commission, even had the backing of Henry Kissinger. He was not "saleable," so his campaign was collapsed. Many of his top advisors will likely head for a Ford campaign.

John Connally, touted throughout the early going as a top contender, could be out of the race by next week. His own people are saying that if he can't pull something off in South Carolina, he is through. Never has one campaign spent so much money—more than 12 million dollars—and netted so little. The real story is that Connally tried to make a deal with "New York back room boys" at the CFR, but in the end, they dumped him overboard.

Here, based on information from sources close to the campaigns, is a status report on the key GOP contenders.

Ronald Reagan

After his smashing victory in New Hampshire, some people in Ronald Reagan's camp were talking of rolling over the opposition, possibly by as early as the middle of this month. Given the results in Massachusetts and Vermont a week later, those hopes now look premature. Reagan is generally conceded the Southern primaries, with the possibility that he may run into some trouble in

South Carolina. While his voter potential in Illinois is strong, there are some doubts that his machine is properly mobilized to deliver a large vote.

One Reagan aide reported this week that the press had suckered some people into shooting off their mouths about how well their candidate might do in Illinois; these statements have found their way into the press and could be used to set up false expectations, said the aide.

Much hoopla has been made about Reagan's firing of former *wunderkind* John Sears as campaign manager and the shake-up in the Reagan camp. The sacking of political wheeler-dealer Sears was viewed by various political analysts as marking a turn "rightward" that could mean problems in some of the populous states. Similarly, reports that the Reagan camp has already spent \$12 million, or more than two-thirds of its \$17.6 million federal spending limit, were said to cut into "crucial media spending" for states like Illinois and New York.

This may be a blessing in disguise. Reagan is apparently now committed to mobilizing more of a grass roots push with a volunteer organization, the type of operation that proved successful in New Hampshire.

The real question for Ronald Reagan is whether he has learned the lessons of his New Hampshire success: that his vote was produced by an aggressive attack on the Trilateral conspiracy from a number of sources—his own campaign organization, William Loeb of the *Manchester Union Leader* and the campaign of Democratic contender Lyndon H. LaRouche, whose attacks on the "silk-stocking crowd" behind George Bush helped set the tone for the primary. So far, though many of Reagan's local organizations have given signals that they will take up this battle cry, there are signs that the new national leadership is going to force Reagan to back off the attack. If he does, Reagan could stumble, just enough for the Trilaterals to catch him and deadlock the convention.

George Bush

George Bush may be the "preferred" candidate of the Commission but it looks like he just can't cut it as a campaigner.

Bush was given a media hype prior to the Iowa caucus that helped produce his "upset." Insiders say that this hype made credible some last minute maneuvers that stacked the caucuses and gave him his narrow victory. But Bush has no base of support in the general population, and people familiar with New Hampshire, when they step back from the media coverage, will tell you that he got his "voter profile" in the primary. Poor George apparently didn't understand this. As his campaign began to slip in the last days, he started panicking. His staff

admits that what happened in the now famous Nashua debate was a "blunder," but what only a few will admit is that Bush's pique at Nashua is typical Bush. "George couldn't take the pressure," says an aide. Others on his staff report that Bush was hurt badly by the relentless attack on the Trilateral Commission and his blue blood background. "He doesn't like his heritage being attacked," said a top aide.

George Bush got his votes in New Hampshire, and was swamped by Reagan three to one.

With the bubble burst, Bush ran scared in Vermont and Massachusetts. Though he eeked out a win in the Bay State, his tepid performance has his handlers worried. Many now doubt that he has the mettle to even be a puppet President. They have told him to get specific and to start attacking Carter and Reagan. He has done the latter, but still speaks from a fog on the issues. Top aides want him to come out swinging with a speech on foreign policy and defense, attacking the Carter administration's policies. His aides, linked to the former Team B of intelligence specialists, drafted a speech on the subject. It still sits on his desk.

The problem with Bush, said a top aide with an intelligence community background, is that he is "something of a coward ... he is afraid to fight out in the open. ... It is part of his prep-school attitude, you know, gentlemen's disagreements kept out of sight." Another GOP source summed up the Bush problem concisely, "He is a political lightweight with a lot of back room people behind him. He may not make it all the way."

Bush must have some votes arranged for him in Illinois to help him stay in the race to the end. His aides are still waiting for him to deliver that speech.

John Anderson

Anderson should be dubbed the candidate of Walter Cronkite. CBS evening news did no less than 4 spots on a man who, before votes in New England, received less than 5 percent of the vote in Iowa, and who isn't even running in the south. In column after column and TV spot after TV spot, Anderson was identified as the man who refuses to compromise on his principles, the iconoclast liberal of this year's GOP sweepstakes. Message aside, it made his name known, and this set up the second phase of the operation. Anderson began attracting hordes of college kids, environmentalists, liberals, stragglers from the Bush campaign, and similar types.

His campaign is modeled after Eugene McCarthy's "children's crusade" in 1968. As McCarthy's campaign was a Trojan horse inside the Democratic Party, so is Anderson's inside the GOP. Significantly his campaign is receiving funding from normal "liberal Democrats" conduits such as financiers Stewart Mott and West Coast entrepreneur Stanley Sheinbaum. These are the same

types who fund the environmentalist movement, the Institute for Policy Studies and similar centers of domestic subversion of our Constitution. Anderson's campaign while having a purpose inside the GOP, also has another goal; the standard Anderson speech includes a pitch for the building of a "citizens' coalition," the same kind of terminology used by Barry Commoner and his citizen's party crowd. While Anderson himself will stay inside the GOP through the campaign, don't be surprised to find his "armies" join with those of Jerry Brown and form a post-convention Third Party movement.

The media, including the "CBS Evening News," and the *New York Times* described this as "new excitement" in the GOP. But more knowledgeable people thought otherwise; "These aren't Republicans," said one astonished observer. "They aren't even Democrats, they're kooks." Many were Democrats, but most definitely of the kook variety associated with the campaigns of Zen-Buddhist Jerry Brown and Edward Kennedy. It was this kook vote, that was used to artificially enlarge the presence of John Anderson in Vermont and Massachusetts. Even Walter Cronkite was forced to admit that the larger-than-expected Anderson vote in Vermont and Massachusetts came from "independents and Democrats." In the case of Vermont, more than half his votes

"He'll have to explain 'Skull & Bones,' too"

The following are excerpts from an article which appeared in the Wall Street Journal on Feb. 26.

MANCHESTER, N.H. — When George Bush was a student at Yale University, he joined Skull and Bones, a society so secret its members are supposed to get up and leave the room should a nonmember be gauche enough to mention its name.

As a grown man, Mr. Bush for a while was a member of the Trilateral Commission.

Those who subscribe to conspiratorial theories about how Yale University and the rest of the world are run believe it is a natural progression. After all, these people say, Skull and Bones wishes it ran Yale. And the Trilateral Commission wishes it ran the world in a tidy new order of its own making. (The meetings of both, it should be noted, are closed to the press.)

Here in New Hampshire, Mr. Bush is under attack for associating with such people. His joining Skull and Bones, its detractors say, shows what an Ivy League elitist he really is.

were from the Kennedy-Brown wing of the Democratic Party. Some people have suggested that the vote was in fact organized by the Kennedy and Brown crew in those states.

Anderson's "success" has begot even more media coverage. This will no doubt add up to a credible vote total in his home state of Illinois, though he won't be able to count votes from Democrats there—at least, the law says he can't. If he can make a credible showing Anderson will likely be able to sustain his campaign, further chipping away at the Reagan delegate total.

Gerald Ford

Some people are saying that Gerald Ford is the heir apparent to the Trilateral confusion sown in the GOP. One scenario has him announcing sometime later this month, likely on or before March 20, the last filing day for the Ohio primary. This is strongly hinted by several Ford confidants, as well as by Ford's own statements in a recent *New York Times* interview. But GOP people point out that Ford doesn't have a real campaign staff together now, and it might take critical time to put one together; others say that with the Trilateral Commission backing you, this is not an important factor.

But it is the Trilateral Commission that stirs the strongest bile. It has become a genuine, if unlikely, issue in today's New Hampshire primary....

These fringe groups became even more shrill when Jimmy Carter, an obscure member of the Trilateral Commission from Georgia, was elected President. He quickly chose Zbigniew Brzezinski, the commission's executive director, as his national security adviser. And if the mention of the word "Trilateral" meant members had to leave the room, half the current Cabinet would be out the door. Former Trilateralists include the Vice President and the Secretaries of State, Defense and Treasury.

Now, the critics say, the Trilateralists have seized upon George Bush—just as they chose Jimmy Carter—to win a presidential nomination....

John Connally says flatly the Republican Party "will never nominate a man who belonged to the Trilateral Commission." Ronald Reagan deplores the general philosophy of the commission and its "undue influence" on the policies of the Carter administration. But Rep. Anderson, who is plugging along as the "liberal" GOP candidate in New Hampshire, says he is still a Trilateralist—and proud of it.

"It's just old biddies" who think it's a conspiracy, Mr. Anderson says.

More than anyone else, though, it is William Loeb, the irascible publisher of the *Manchester Union Lead-*

While columnists drag out their calculators to compute possible Ford delegate counts, it should be pointed out that Ford doesn't have to win, just make a credible enough showing to contribute to a convention deadlock. But this scenario is viewed as risky to several insiders. There is every chance that Ford might be beaten by Reagan in head-on battles. After all, Reagan only narrowly lost to him in 1976 when Ford had the advantage of being the incumbent President. And if Ford is beaten, then his supporters in the New York back rooms really have no one else left in reserve, save possibly Alexander Haig. So another scenario has Ford not making any formal announcement and letting the others deadlock the convention. Ford could then be drafted as an acceptable compromise candidate. This scenario also has its risks. What if Reagan knocks out the other candidates and it's too late to deny him the nomination?

GOP sources say that Ford overplayed his hand in the *Times* interview and is now forced to run, or not be viewed as a credible candidate. How he will do is another question. Reagan privately wouldn't mind Ford running; despite Ford's claims of being popular and having a good record in office, Reagan people remember that it was Gerry Ford who lost the White House to the Trilateral Commission's 1976 candidate, Jimmy Carter.

er, who has made Trilateralism an issue in today's primary. Mr. Loeb's candidate, Ronald Reagan, desperately needs to rein in the galloping Trilateralist Mr. Bush.

In one of his typical front-page editorials, Mr. Loeb wrote the other day, "It is quite clear that this group of extremely powerful men is out to control the world"...

Mr. Bush has been asked about the Trilateral Commission so many times that he and his aides carry with them copies of a prepared statement. The commission, the statement says, "is a private group that was formed to bring people of various viewpoints together to discuss public policy issues of concern. ..." It adds, "To suggest that those that belong to the commission ... are involved in a conspiracy is absurd."

It isn't absurd to Lyndon LaRouche, a candidate in the Democratic primary...

Mr. LaRouche thinks Skull and Bones is a conspiracy too. It is "no mere fraternity," he says darkly. "It is a very serious, very dedicated conspiracy against the U.S. Constitution." Each initiate to "Bones," he says, becomes a "dedicated agent of British secret intelligence for life."

So far Mr. Bush hasn't prepared a statement defending Skull and Bones. But the way things are going, he may have to.

The "Great Compromise" on fraud

by Vin Berg

The campaign organization of Lyndon LaRouche held press conferences in Manchester and Concord, New Hampshire Mar. 4 to release a document that is said to incriminate the governor of the state, Hugh Gallen, other high officials, and the Carter and Kennedy campaign organizations for criminal conspiracy to commit vote fraud in the Feb. 26 New Hampshire primary. According to reports, Citizens for LaRouche is already preparing to file a complaint for violations of criminal law against the New Hampshire governor.

On Feb. 28 Citizens for LaRouche secured the signed commitment of Secretary of State William Gardner to a recount of the Democratic primary vote—a step that reportedly made Governor Gallen "furious." In addition, the LaRouche organization filed criminal complaints against two moderators, a town clerk and a selectman in the towns of Salem and Epping for their part in the alleged vote fraud. The newly discovered document now provides a basis for implicating not only Gov. Gallen, but Senator Durkin, Democratic State Committeemen and Carter and Kennedy campaign officials, say Citizens for LaRouche spokesmen.

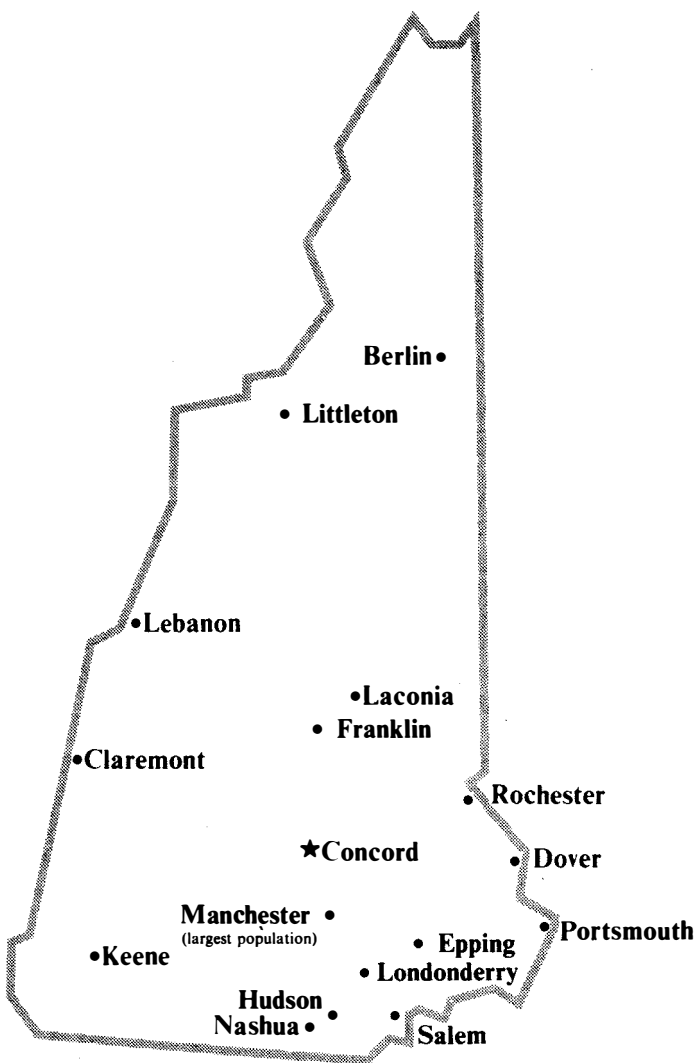
The pending wave of litigation stems from a pattern of widespread irregularities observed and recorded in the Feb. 26 primary. Door-to-door canvassing and polls conducted by the LaRouche organization and others before the election, as well as after, indicate that the Democratic contender received roughly 20,000 votes, perhaps as much as 23 percent of the total (LaRouche is legally claiming only 18 percent at this time). Official returns credited him with only 2 percent.

Local residents, including some state and local officials, are calling it the most corrupt election they have ever witnessed. The official returns gave President Carter over 50 percent, Sen. Edward Kennedy 36 percent, and Gov. Jerry Brown less than 10 percent; Brown is not contesting, even though he missed sharing in the delegates by only a few tenths of a percentage point. LaRouche, however, charges that both Kennedy and Brown's tallies, primarily Kennedy's, were padded with votes actually cast for LaRouche.

A 'great compromise'

The just-released document is entitled "Great Poll-Checking Compromise." Found in the trash bins of the vacated Kennedy headquarters in Manchester, it states that a deal has been worked out by "representatives of the Carter and Kennedy campaigns, as well as Governor Gallen, Senator Durkin and the Democratic State Committee...on the poll-checking situation."

The document reveals that all but Kennedy and Carter campaign pollwatchers are to be excluded from



the polls on Feb. 26. The "Compromise" states: "Local headquarters will give each poll-checker an authorization from the Democratic State Chairman." The chairman's name is Romeo Dorval, who figured prominently in slanderous materials and rumors circulated against LaRouche prior to the election.

On the day before the election, Dorval told the LaRouche campaign through his aide Ricia MaMahon, that no LaRouche pollwatchers would be permitted at the polls the next day. He refused to state, however, whom the Democratic Party had appointed as poll-checkers.

The exclusion of LaRouche pollwatchers from the voting stations on election day created the conditions in which 90 percent of the LaRouche vote was placed in the column for Sen. Kennedy, the LaRouche campaign charges.

The complaint filed against officials in Salem, New Hampshire, for example, describes how the ballots for each Democratic candidate were separated into stacks of 25 ballots each. There were four such stacks for Lyndon LaRouche, meaning that there were in the range of 100 votes for LaRouche. Subsequently the LaRouche stacks were passed from person to person until the total had been reduced to 15 votes, which was the figure announced as official by Michael Degreiko, moderator of Salem's Ward 2A.

The complaint filed in Epping, a southeastern New Hampshire town, concerns a bizarre series of events in which the ballots were taken into a backroom before being counted, resulting in a delay of one and one-half hours after the polls closed before counting began. When a LaRouche pollwatcher asked for an explanation, Agapit Jean, a selectman told her it was none of her business. Earlier, Mr. Jean, functioning in the capacity of an election official at the polling site, loudly told voters that LaRouche was a "kook"—in itself a violation of election law.

When the Epping vote began, a total of 17 persons were directly involved in the counting, including one Garard Rooney, a poll-watcher for the Brown campaign. Persons involved in the counting were observed leaving and returning to the roped-off counting area repeatedly. When the count was finished, the three officials named in LaRouche's complaint then took the tally sheets into the backroom again for about 30 minutes before announcing the official totals. Not surprisingly, LaRouche was credited with only 13 votes at the end of this remarkable procedure.

In preparation for a criminal complaint, LaRouche workers have compiled affidavits from voters showing that at least 281 votes for LaRouche were stolen in Ward 12 in Manchester. Before the polls closed in that ward,

both Brown and Kennedy campaign workers were acknowledging that LaRouche would win the ward easily. In the official count, he finished last.

LaRouche campaign officials stress that additional complaints will be filed in at least 25 cities in the coming days as part of the effort to clean up what was apparently one of the dirtiest elections in U.S. history.

What distinguishes the "Great Poll-Checking Compromise" document, say LaRouche spokesmen, is that it constitutes evidence that they will use in court to show that there was *criminal intent* behind the pattern of irregularities widely reported on election day. While it is

The "Great Poll Checking Compromise"

The following is the text of the document, entitled "The Great Poll-Checking Compromise," distributed to Kennedy campaign workers in New Hampshire.

Representatives of the Carter and Kennedy campaigns, as well as Governor Gallen, Senator Durkin, and the Democratic State Committee have worked out a compromise on the poll-checking situation. This compromise will be honored by all Kennedy volunteers. It will also be honored by the Carter campaign. Any violation should be promptly reported to Joanne Symons at Manchester Headquarters. The following rules will apply to poll checkers

1. Local headquarters will give each poll-checker an authorization from the Democratic State Chairman. Only persons having such authorization will be seated at the polls.

2. If the Kennedy poll-checker is the only one who shows up at the polls, he/she must be seated by the Moderator according to state law.

3. If both Kennedy and Carter checkers show up, the Moderator may seat both checkers. However, if one is excluded, there will be no checkers. That means that if the Kennedy checker shows up, and the Carter checker is there, and the Moderator refuses to admit the Kennedy checker, the Carter checker must leave also. It also applies the other way.

4. In cases where no poll checkers are admitted, you will simply need to pull everyone at each poll, eliminating people who tell you they have already voted.

a class B felony to miscount even one vote—let alone the 20,000 votes LaRouche charges—providing the basis for criminal complaints against the “small fry” involved on-the-scene at polling stations and clerking offices, if *intent* is not shown, legal precedents indicate that charges will be reduced to those of mere *negligence*. The nature of evidence now being gathered by the LaRouche campaign is designed to show both criminal intent, and criminal conspiracy ranging up to the governor’s office, and beyond.

Where the votes went

Analyses of New Hampshire voter preference on election eve, as well as the official election results, leads to the conclusion that at least 16,000 votes were cast for LaRouche, but were recorded for Sen. Edward Kennedy. Canvassing that discounted the “undecided” vote for projection purposes the night before the election showed a minimum vote for President Carter, Sen. Kennedy, LaRouche and Brown of 33,000, 20,000, 23,000 and 6,000, respectively. In other words, it was anticipated that LaRouche could finish second, ahead of Kennedy. Taking the “undecided” vote into consideration, analysts judged that Kennedy might gain votes only from that portion of the undecided electorate that was vacillating between him and Gov. Brown, while LaRouche would gain between 25 and 40 percent of the “undecided” otherwise considering a vote for President Carter.

These projection totals, however, required further adjustment, the analysts say, in light of a late crossover of Democratic-leaning independents to cast their vote for Ronald Reagan in the Republican primary. That crossover would have tended to cut into the potential LaRouche vote, but was also clearly representative of an anti-Kennedy sentiment, as evidenced in Reagan’s landslide victory over liberal Republican George Bush. It makes the 36 percent vote allegedly cast for liberal Kennedy incredible; this could only have come at Brown’s expense—yet Brown’s vote also rose over projections. When combined with the other cited trends, that magnitude of Kennedy vote is considered a virtual impossibility.

That statisticians’ evidence intersects the nature of observed election-day irregularities to give the conclusion that 9 out of 10 LaRouche votes were stolen for placement in the column of the Massachusetts senator.

Preparing the “fix”

One week before the election, the *Manchester Union-Leader* inadvertently revealed that a “fix was in” against LaRouche. In the same edition that published a letter

The official returns

Candidate	Vote	Percent
Democrats		
Carter	50,027	48.8
Kennedy	30,640	38.7
Brown	10,084	9.8
LaRouche	2,251	2.2
Kay	540	.5
Republicans		
Reagan	69,945	51.2
Bush	30,528	22.4
Baker	17,755	13.0
Anderson	13,152	9.6
Crane	2,501	1.8
Connally	2,140	1.6
Dole	568	.4

from Carter-supporter Gov. Gallen congratulating editor Paul Tracy on his editorial attacking LaRouche as “the best thing you ever wrote,” the *Union Leader* published a poll taken by Carter pollster Pat Kallen which, in its own words, “conceded” LaRouche 3 percent of the vote. That was so wildly out of line with general indications that the candidate’s spokesmen immediately warned that fraud was being planned.

The “3 percent” figure also appeared in a January statement by Richard Craig, who teaches at the University of New Hampshire and leads the National Association of Public Opinion Researchers. Craig declared that LaRouche would get no more than 3 percent of the vote, and that the media would be used to destroy the LaRouche campaign. He was unaware, at the time, that he was speaking with a LaRouche campaign worker.

Within hours of the polls’ closing on election day, the 3 percent figure was being broadcast as the LaRouche vote. Not only did local returns average out to that official figure statewide, but locality by locality, with few exceptions, LaRouche got “3 percent.” There was no differentiation between those areas in which the LaRouche campaign had concentrated its efforts and those rural areas aware of the campaign only through La-

Rouche's massive paid media campaign. In one rural town, 8 percent was cast for LaRouche, and in outlying Chichester, LaRouche received 23 percent—the only known locations of an honest count.

LaRouche workers do not consider the appearance of Gallen's endorsement of slanders against LaRouche in the *Union Leader* alongside the 3 percent figure a mere coincidence. With millions of dollars of federal taxpayers money doled out through the governor's office, the 50 percent vote for Carter was probably agreed upon early in the game.

The "fix" for Senator Kennedy was evidently conducted through the Democratic State Committee by the Democratic National Committee. Five days before the election, the LaRouche campaign denounced that fact that Larry O'Brien, former national chairman of the party and current head of the the National Basketball Association, was busy calling all the state's Democratic officials. He told them LaRouche must not receive more than 3 percent of the vote or "it will destroy the party."

It was 48 hours later that Democratic Party state secretary Patricia MaMahon informed the LaRouche campaign that LaRouche would not be permitted any pollwatchers at the polling stations. According to Kennedy supporters, both McMahon and her superior, state party chairman Dorval, are "closet" Kennedy supporters.

On election day, LaRouche pollwatchers were not only excluded from the polls, but Kennedy and Carter pollwatchers were illegally involved in the counting of the ballots.

Washington's involvement in the anti-LaRouche conspiracy

So far, the "Great Poll-Watching Compromise" document found in Kennedy garbage along with 2,000 letters from Dorval authorizing Kennedy pollwatchers is hard evidence that the criminal conspiracy extends into state government. Does it extend higher?

After Lyndon LaRouche's first national television address Jan. 20, sources report that Sen. Kennedy and President Carter themselves met in the White House and agreed to collaborate against the LaRouche campaign and the impact LaRouche's address attacking Carter policies was obviously having around the nation. A day earlier, Carter and his national security staff are reported to have enjoyed a preview broadcast of that half-hour television address provided to the White House by CBS-TV. In addition, Secret Service sources report that it was President Carter personally who ordered the Secret Service to deny LaRouche protection, even though the candidate was on the ballot in eight states and was already the recipient of Federal matching funds.

The real Democratic vote

A team of specialists from the national campaign committee of Lyndon LaRouche is now compiling evidence that more than 16,000 of the Democratic candidate's votes in the Feb. 26 primary in New Hampshire were stolen.

That evidence will include the results of election day exit polling and phone canvassing of a 30,000-name computerized listing of LaRouche voters which has so far shown 18,000 to 20,000 votes cast for LaRouche versus the 2,251 officially awarded.

That computerized listing categorized voters before the election as 1) definitely voting for LaRouche; 2) might vote for LaRouche; and 3) undecided, but not against LaRouche. Phone canvassing on only half of the state's Democrats has shown that 70 percent of those in category 1 voted for LaRouche on primary day, 50 percent in category 2 and 40 percent in category 3, for a conservatively estimated, projected vote of 16,000.

Taking just the two cities of Manchester and Nashua, the voter sampling broke down like this:

City/Ward	Official tally	Projected vote
Manchester	639	3195
Nashua		
Ward 1	16	48
Ward 4	29	116
Ward 6	35	105
Ward 7	24	144
Ward 8	18	54

In every other town and city in New Hampshire, the same pattern is emerging. In the Manchester suburb of Raymond, 90 percent of the names on the computerized list of those who had committed themselves to vote for LaRouche did. In Rochester, a random poll gave this tally: 10 for LaRouche, 10 for Carter, 7 for Kennedy and 1 for Brown. Fifteen would not say who they had voted for, but said they had not voted for LaRouche.

Sir Keith Joseph implicated in vote fraud



Sir Keith Joseph

The executive intelligence board of the private, international political-intelligence news service, New Solidarity International Press Service (NSIPS) today released its preliminary report of undercover and other investigations into the combined election-rigging and vote-fraud against Democratic Presidential candidate Lyndon H. LaRouche, Jr. in the Feb. 26 New Hampshire primary.

The NSIPS executive report, released March 2, 1980, is as follows.

Democratic presidential candidate Lyndon H. LaRouche, Jr. received not less than 20 percent, and perhaps as much as 25 percent of the vote cast in the February 26 New Hampshire Democratic primary. Of this total, a 16-plus percent vote for LaRouche is proven by recanvass of a 35,000-name, name-by-name listing, by street address and polling district. "Exit polling" and eyewitness affidavits reporting the numbers of votes stolen from LaRouche and given to Kennedy and Carter tallies by election moderators in local polling-places provides the basis for estimating the total LaRouche vote to have been between 20 percent and 25 percent.

The stealing of actual LaRouche votes cast was done by individual, local election-moderators, many among whom already face criminal charges in complaints currently either filed or to be filed early this week. This part of the action corroborates pre-election reports received from reliable sources, reports which stated that election moderators had been purchased in wholesale lots through Boston backers of the Kennedy candidacy.

However, although Kennedy received the greatest portion of the votes stolen from the LaRouche totals, documentary evidence in hand proves that the preconditions for the vote-stealing were negotiated in a "great

compromise" effected by the Kennedy and Carter machines prior to election-day. According to the version of this "compromise" published by the Kennedy campaign and secured by LaRouche undercover investigators, the agreement to enable fraud was negotiated in complicity with state Democratic Party chairman Romeo Dorval, with complicity of Governor Hugh Gallen and Senator Durkin. Not only were LaRouche poll-watchers unlawfully excluded from the polls, but eyewitness sworn testimony shows that Kennedy and Carter representatives in numerous instances supervised the actions of local moderators, itself another unlawful action.

The important question posed by this mass of evidence is "Why did those involved in coordinating this vote-theft go to such extremes? Why did they, for example, not limit the vote-stealing to the amount needed to reduce the reported LaRouche vote to a more believable 7-8 percent of the vote, rather than leaving evidence of fraud 'hanging from the trees' with vote-theft on the scale of 16-20 percent of the entire vote cast in that election? Why did they go so far as to virtually ensure that substantial numbers of the local election-officials bought would face immediate criminal charges? Why place the state's Governor, the Chairman and Secretary of the state Democratic Party, a U.S. Senator, and many others in imminent jeopardy by going to such extremes?"

To trace the trail of evidence from the local election-moderators now facing criminal charges to the source of the decision to conduct such massive fraud, we must follow the pathway leading from the vote-fraud itself, through the massive apparatus of rigging of the environment of the election by officials of the CBS network and others.

The trail ends in the circles of the Trilateral Commission and New York Council on Foreign Relations soon

to meet in London to select the respective Democratic and Republican candidates to be nominated this summer in Detroit and New York City. Near the top of the heap among those Britons scheduled to "advise" the Trilateral Commission on whom they should choose to become next President of the United States is Sir Keith Joseph, already for several years the most visible among the high-level British-intelligence coordinators of international actions against candidate LaRouche.

'Fascism with a democratic face'

At the 1975 Tokyo conference of the Trilateral Commission—which selected Jimmy Carter to be made the next U.S. President—Trilateraloid Samuel P. Huntington acted as the most prominent spokesman for a proposal to end democratic forms of government. This proposal was more recently implemented as the Carter administration's Presidential Review Memorandum #32 (PRM-32), and put into operation one day before the "Three Mile Island incident" in March 1979. The new agency instituted on that date is known as the Federal Emergency Management Agency (FEMA). FEMA, which orchestrated the "Three Mile Island" event more or less as Josef Goebbels and Hermann Goering orchestrated the 1934 "Reichstag fire," is a virtual duplication of the "emergency" provisions inserted into the constitution of the Weimar Republic of Germany to enable Adolf Hitler's "legal coup d'etat."

Although both the Republican National Committee and the Carter Administration currently support the Nazi-modelled doctrines of Milton Friedman, it is not the present intent of the "think tanks" controlling the RNC's policies to institute uniformed hooligans wearing swastika brassards. The crude outer appearances of the Nazi and Mussolini regimes are not on the table. A more politically sophisticated approach is projected. This approach is most frequently identified by its backers as "fascism with a democratic face." The outer shell of constitutional institutions is to be maintained—albeit a hollowed-out outer shell. The Federal executive, the congress and the Federal judiciary are to become mere stage-figures, with the fascist producers, directors and script-writers behind the scenes writing the lines, and manipulating political life of the electorate by techniques known as "crisis management."

The boosters of that "fascism with a democratic face" policy for the existing democracies are divided into several factions. One faction, the more 'liberal' element, leans toward the sort of fascism proposed by Bertrand Russell and Aldous Huxley. This group desires to create a mass social base for fascism out of today's "environmentalists," "SA stormtroopers in rock-drug counter-culture mufti." The other faction leans toward the doctrines of H.G. Wells, the fascist military-economy squat-

ting on top of a ruined civilian economy—outside the pretorian ranks of the industrial-financier interests concentrated in a new sort of military-industrial establishment, Goering-style.

The most evil of all the significant forces behind the Goering-style or H.G. Wells policy is the Mont Pelerin Society. Milton Friedman, von Hayek, and the Heritage Foundation are the best-known representatives of that fascist faction in the United States. Sir Keith Joseph, the controller of London's "Jane Byrne," Prime Minister Margaret Thatcher, is the chief of the most visible spokesmen for this fascist faction in Great Britain today.

There is no speculation in this. Each of the foregoing statements is supported by documentation available in the public domain.

Joseph as the author of anti-LaRouche operations

Proof that Sir Keith Joseph was coordinating much of the harassment against LaRouche was conclusively established during the period beginning May 1978. Direct proof of Keith's role in this operation was provided through cross-checking statements which Frances M. Watson (of the Heritage Foundation) and Michael Deaver (formerly of Reagan's "Citizens for the Republic") volunteered to undercover investigators during 1978 and 1979. Both volunteered the information that their respective "dirty tricks" operations against LaRouche were being conducted as implementation of a policy decision of the Mont Pelerin Society. In the course of continuing undercover penetration of Heritage Foundation circles, Deaver and Watson volunteered the additional information that a Hong Kong conference of the Mont Pelerin Society had assigned Winston Churchill III and Robert Moss to coordinate the international slander and libel operations against LaRouche. This information was corroborated by cross-checking, and Sir Keith Joseph, of the London branch of the Mont Pelerin Society, was proven by cross-grids to be the immediate executive responsible for all principal operations against LaRouche.

There is not the slightest exaggeration in describing Milton Friedman as consciously a Nazi economist. Not only is Friedman's doctrine a dirty copy of that of Nazi Finance Minister Hjalmar Schacht, the man who put Hitler into power, but Friedman has publicly acknowledged and defended this connection. Friedman, von Hayek, Josephs and the Heritage Foundation are Nazi institutions by the same set of criteria.

If the Nazi-modelled doctrine of the Mont Pelerin Society and Heritage Foundation is compared with the contents of the 1975-1976 "Project 1980s" policy papers written for the Carter Administration under the direction of Cyrus Vance, Zbigniew Brzezinski and others, no

honest, intelligent citizen can doubt for another moment that the objectives of the Trilateral Commission for the United States and most of the world are the immediate implementation of massive global genocide on behalf of establishing a world order modelled economically on the Nazi doctrines of Hitler's backer, Hjalmar Schacht.

Why so much fear of LaRouche?

According to U.S. government documents secured under the Freedom of Information Act, direct operations against LaRouche by Henry A. Kissinger date from no later than 1975. The direct activities of Kissinger against LaRouche were prompted, most immediately and narrowly, by LaRouche's significant international influence around two projects launched during April 1975. The first was LaRouche's publication of a proposal for establishing a new, gold-based monetary system, entitled the "International Development Bank." The second was LaRouche's proposal to employ the means of monetary reform to provide the missing ingredient in pre-existing efforts to secure comprehensive Arab-Israeli peace.

As stated by key political and financial representatives of British secret foreign intelligence to LaRouche's associates during 1976-77, LaRouche was ranked as a "potential danger" to London's policies; this characterization was modified to "fearful potential danger" during 1979—especially after the success of President Giscard and Chancellor Schmidt to implement "phase 1" of a new gold-based monetary system, the establishment of the European Monetary System.

Currently, key governments of continental Western Europe and of nations including Mexico are under massive pressure not to make any gestures which could be interpreted as lending credibility to LaRouche's efforts. Much of this pressure on governments and other, private influential circles is conducted through the U.S. State Department, but the heaviest direct pressures are conducted by Trilateral Commission representative Henry A. Kissinger.

Purposes of the New Hampshire vote fraud

Massive libellous coverage of LaRouche in major news media around the nation contrasts with a virtual blackout of all straight coverage. Libels running to thousands of words appear in the Washington, D.C. area press, *The New York Times*, and other journals, while less than three cumulative minutes of network news coverage, most of it tainted with gratuitous libels, was devoted to LaRouche prior to the Feb. 26 election.

This was noted, most emphatically, by foreign correspondents assigned to the last weeks of the New Hampshire primary. Those correspondents noted that LaRouche was running the largest and best media advertis-

ing campaign in New Hampshire, had the largest staff of professional volunteers and had support running to over 20 percent of the Democratic voters during the pre-election period. Moreover, the entire press corps in New Hampshire for the last weeks of the campaign discussed almost nothing but the topic of LaRouche and LaRouche's campaign over their evening libations in hotel cocktail lounges. They also picked up press gossip of impending, massive fraud against LaRouche before the election was held. Moreover, the computer print-out of the News Election Service shows, in time sequence, the approximate hours of the day in which the vote fraud against LaRouche was set into final phases of operation.

The reasons for such a massive fraud with such a monstrous back-fire potential are summarily as follows:

(1) International

The reason for running LaRouche's reported vote down to less than 3 percent, as preagreed by Washington's high-level intelligence circles, was to prevent Western Europe from using support for LaRouche's candidacy as a signal that the United States was not uniformly hostile to the creation of a gold-based monetary system. In other words, this aspect of the vote-fraud was directed toward continued containment of extremely restive Western European and other foreign governments.

(2) Press control

Even a 7-8 percent level of press-reported vote for LaRouche would ensure significant "straight" press coverage of LaRouche, thus breaking the "containment" around the LaRouche campaign. This policy was publicly stated by representatives of the Anti-Defamation League, a nominally Jewish, organized-crime entity which Canon West of the New York Anglican cathedral has identified as deployed against LaRouche under contract from the pro-Nazi Joseph et al. in London.

(3) Stop LaRouche's momentum

Without massive harassment against individual voters in New Hampshire, LaRouche would have won not merely the 20-25 percent of the vote cast for his candidacy, but would have certainly won the New Hampshire primary over Carter as well as Kennedy. LaRouche proved himself potentially the best vote-getter among all of the candidates currently running, barring, for the moment, Governor Ronald Reagan. In fact, it was LaRouche's campaign against the Trilateral Commission which indirectly provided Reagan the margin of election victory in New Hampshire. Therefore, there was an all-out commitment to attempt to stop LaRouche absolutely in New Hampshire, even to the point of risking sending local figures as high-ranking as Governor Hugh Gallen to prison in order to conduct vote fraud on such a massive scale.

Italian newspaper reports CFR link

The Italian daily Vita Sera reported on charges of electoral fraud in New Hampshire leveled by Republican candidate John Anderson and Democrat Lyndon LaRouche. The following are excerpts from that article published on March 5.

... Both Anderson and LaRouche have now forced a recount [in New Hampshire] so that they could this time control the results. The recount will take place today. The Democratic candidate maintains that he received between 15 to 20 percent of the vote, and that therefore about 20,000 of his ballots disappeared. Furthermore, he has revealed that this is not the first time that there have been murky goings-on surrounding the counting of ballots.

In Rome, as in other capitals of Europe, LaRouche can count on a group of supporters, the "Citizens for LaRouche", who conduct a species of long distance electoral campaign in his behalf. Certain private television stations have transmitted an electoral "brief", if for nothing else, in order to make the candidate known. Now a direct line connects Europe to New Hampshire.

They say that irrefutable proof is being gathered about the New Hampshire imbroglio. A news release made available in Rome speaks of the openly fraudulent results of the primary, and reports on the "hot" declarations of LaRouche. "Those responsible for this crime," the candidate says, "will be brought to trial. The falsification of electoral results, even of only one vote, is a class B offense. The fraud in New Hampshire involves 20,000 votes."...

LaRouche attributes the presumed electoral fraud to his outspoken opposition to the foreign and economic policy of Carter and of the Council on Foreign Relations, which he defines as a kind of shadow government of the United States which counts among its members National Security Advisor Zbigniew Brzezinski and many other important American personalities. The arguments used in support of this thesis are in part the same contained in the dossier that the European Labor Party released in the period of the Moro case. [Referring to the kidnapping and subsequent assassination of former Italian Prime Minister Aldo Moro in May, 1978]. In brief, certain power circles in the U.S. would like to impede the creation of a new world economic system and hence strike out at Lyndon LaRouche, "who is considered in Europe to be the originator of the European Monetary

System." In reality, according to the friends of LaRouche, Carter together with the Council on Foreign Relations is attempting to turn the U.S. into a "fascist country."

LaRouche has explained that the attempt to damage his person is part of an overall attempt to "destroy" the European Monetary System.

Spanish press cites fraud

On the day following the New Hampshire primary, the Madrid daily El Pueblo charged "fraud." The article, written by the paper's New York correspondent, Julio Camarero, reports on the charges of a campaign spokesman for Lyndon LaRouche.

"Massive vote fraud in the New Hampshire primaries." This is the grave accusation which has been launched by Dennis Small—who assures us of having documentary evidence to prove it—an official spokesman for Democratic presidential candidate Lyndon LaRouche, a political figure who, up to now, has been condemned to silence. Perhaps because since the launching of his campaign he has done nothing but state facts as hard-hitting as a fist.

Small attempts to expose a maneuver allegedly carried out by Carter's security advisor, Zbigniew Brzezinski, through the efficient machine of the Council on Foreign Relations and of the Trilateral Commission, designed to leave LaRouche in the shadows and ensure that his name will not appear on the three major T.V. networks—CBS, ABC and NBC—during the special programs on yesterday's primaries, leaving LaRouche relegated to that anonymous category where "other candidates" are thrown indiscriminately.

Lyndon LaRouche supports the new European Monetary System to stop the inflationary spiral and reinvigorate world trade. He proposes ... incentives for scientific and technological research and for small industry. He seeks an administrative reform to reverse the irrational growth of the federal bureaucracy. He wants a no-holds-barred struggle to extirpate drug traffic from its roots and from the top. He also dared to declare that if he were elected President, he would dissolve the National Security Council. As if it wasn't risky enough to say all of the above just like that to the whole country right in front of the TV cameras, his suggestion that the National Security Council be dissolved would be sufficient, of itself, for Brzezinski to order him hunted down in the New Hampshire primaries. And to make sure, by whatever means necessary, that he did not get back on television.

Colombian terrorism: crisis in the Caribbean

by Dennis Small

Iran came to Latin America last week with the takeover of the embassy of the Dominican Republic in Bogota, Colombia: Armed terrorists of the "M-19" guerrilla movement seized the embassy while a diplomatic reception was going on, and took over 70 hostages including 15 ambassadors. Among them are the Papal Nuncio in Colombia and the U.S. Ambassador, Diego Ascencio.

The M-19 has demanded four things as conditions for the release of the hostages: 1) freedom for 311 political prisoners, who include many of their jailed cohorts; 2) \$50 million in ransom; 3) the publication of M-19 manifestos; and 4) safe conduct and passage out of Colombia for themselves and their hostages. The Colombian government has broken its long-standing practice of refusing to negotiate with terrorists, but in the discussions with them has steadfastly refused to concede to anything except safe conduct to leave the country.

Igniting the region

As of this writing, a tense period of negotiating and waiting has settled over Bogota, with both sides sticking inflexibly to their positions. Three days from now, on March 9, Colombia's mid-term elections are scheduled to occur, and although the government of President Turbay Ayala has repeatedly guaranteed that the elections will proceed normally, many observers—both inside

and outside Colombia—believe that a bloodbath and even possibly a coup d'etat are quite possible in the days immediately ahead.

The implications of these developments stretch way beyond Colombia. Three points in particular bear the closest attention:

- First the M-19 action has ignited the fuse on the entire Caribbean/Central American theater, and has drastically lowered the threshold for a nuclear confrontation of the superpowers in the area. This point is elaborated in an accompanying article by Contributing Editor Lyndon LaRouche.

- Second, the Bogota embassy takeover—like its Iranian predecessor—is being actively used by the Jesuit One World crowd which controls international terrorism to argue the necessity of entirely revamping the world juridical order. Their target is to undermine the legal basis of the sovereign nation-state itself, as we explain later in this report.

- Third, the embassy incident is likely to trigger protracted left-right civil war in Colombia, which in turn will ignite a spreading "Iranization" of the entire Caribbean Basin from Mexico to Colombia. There has already been a wave of embassy takeovers in the region, and Central America in particular is fully primed for waves of chaos and violence. Mexico, although still a far more stable republic, has also been targeted recently for "left-

ist” attacks against the government’s industrialization strategy. The Colombian situation can also lead into a reactivation of the Rand Corporation’s “War of the Pacific” plot to provoke border wars in South America.

The economic and political implications of turning the entire Latin American subcontinent into one gigantic Iran are staggering. Almost two-thirds of total U.S. direct foreign investment in the Third World is in Latin America, and there is clearly no way that profitable business activities can occur under Iran-style conditions of regional civil war. One academic sympathizer of the M-19 jovially predicted this week that there will be “a rash” of terrorism in Latin America, and that diplomats and businessmen are just going to have to get used to living under siege in armed fortresses.

Businessmen and others involved in Latin America have been somewhat less sanguine about such prospects, and are insistently bringing up a set of central questions that are on their minds: Who is the M-19 *really*? Who ordered the embassy takeover? And what is their final objective?

‘The Military knew’

There is a scandal of major proportions brewing in the international diplomatic community over how it is that the Colombian military was placed on full alert because they knew that a terrorist attack on a foreign embassy would occur, fully *two weeks* before the M-19 assault. At least a dozen Foreign Ministers are known to be asking why, if this was known, was there not a *single* soldier on guard at the Dominican Embassy at the time of the assault. The well-trained Colombian military is not known for making “mistakes” of this sort.

A press spokesman for the Colombian Embassy in Washington mumbled apologies to *EIR* when asked these exact questions. “Well, maybe the army was expecting an attack at some *other* embassy,” she offered.

The news of the military alert was wired internationally by the Spanish news agency EFE, on Feb. 15—twelve days before the Feb. 27 assault on the embassy (see box). It was printed in at least one major international newspaper (*Excelsior* of Mexico), and after being blacked out of the Colombian press was finally printed March 5 by an enterprising columnist for the Bogota daily *El Espectador*, under the suggestive headline: “It Was Known Beforehand.”

This set of facts raises fundamental questions about the nature of the M-19. Far from being an “honest” group of unhappy leftists, the M-19—like its sister organizations, the Baader-Meinhoff and the Red Brigades—is run by oligarchic intelligence circles centered around Europe’s Jesuit black nobility.

In fact, both the military “right” and the M-19 “left” in Colombia are controlled by the same individuals at the

‘Colombian military knew embassy attack coming’

Following are excerpts from an EFE Spanish press agency wire which appeared in the Mexico City daily Excelsior on Feb. 16 under the headline “Violence increases in Colombia on eve of municipal elections.”

BOGOTA, Feb. 15 (EFE)—The discovery of a terrorist plot against foreign embassies in Bogota and the outbreak of violence on the eve of mid-term elections in Colombia forced the armed forces to be confined to their barracks, well-informed sources revealed here...

According to well-informed military sources, the Defense Ministry today cancelled all leaves in all four military services.

A week before the March 9 elections, a “Flag Plan” coordinated by the Army and the Police to maintain public order during the electoral process will enter into effect throughout the country.

At the same time, the formation of the highest security agency (CIES) became known here. Its mission will be to protect state security, after a terrorist plan by leftist forces designed to sabotage the elections became known.

This plan provided for terrorist sabotage emanating from the National University, the most important in the country, to force the temporary closure of that center of higher education.

A top source in the office of the chief of staff of the secret police (DIPEC) said that they had discovered a terrorist plot against foreign embassies in Bogota, consisting of bombs being placed in those embassies two weeks before the mid-term elections.

top, which means that the embassy takeover was deliberately orchestrated from the beginning. The mastermind of the operation inside the country is Conservative Senator Alvaro Gómez Hurtado, whose father Laureano Gómez was nicknamed “The Monster” by Colombians for his bloody 1950-53 dictatorship.

Gómez Hurtado, Jr. is a self-avowed fascist, a self-avowed Jesuit, and a self-avowed proponent of legalizing marijuana production in Colombia.

Gómez Hurtado runs the Colombian military through Defense Minister Camacho Leyva, a partisan of staging a Chilean-style coup in Colombia. He runs the misnamed Justice Ministry through his brother-in-law, Hugo Escobar Sierra. And, most significantly, he created

and runs the “leftist” M-19 through emplaced military intelligence personnel (see below).

It therefore comes as no surprise when Gómez Hurtado brazenly states, as he did this week, that the embassy takeover politically favors his Conservative Party.

Violence

Over the past days, many of the nations whose ambassadors are being held hostage have engaged in feverish diplomatic activity to pressure the Colombian government to not cave in to military pressure to storm the embassy—Entebbe style—and provoke a bloodbath. The diplomatic community’s concern is well taken. Earlier this week, Colombian President Turbay Ayala told the press that “not a single peso, not a single prisoner” would be handed over to the M-19, as the terrorists are now demanding. Turbay has agreed in the course of negotiations only to providing them an airplane and safe conduct so that they can leave the country. The M-19, however, is emphatic that they want all political prisoners released, and most knowledgeable observers agree that they will begin to assassinate the hostages two-by-two—as threatened—if the Colombian government stalls for too long. At that point, crack antiterrorist squads can be expected to launch a lightning raid of the embassy.

The press is reporting that top Israeli and American antiterror units have arrived in Bogota to aid the Colombians in such an assault. Sharpshooters have carefully taken up positions in the environs of the embassy. And one freed hostage reports that the M-19 guerrillas, in addition to being highly trained and heavily armed, have wired the embassy with explosives and will blow it up should a raid be launched.

Nothing would please Gómez Hurtado and his Black International allies more than to set off such a bloodbath. It would mean the end of what little democracy remains in Colombia, and would usher in a military dictatorship. This in turn would mean civil war—a return to the conditions of the 1948-58 “La Violencia” period when almost half a million Colombians were killed in fratricidal battle. Under current conditions, and with prompting from further terrorist acts, the entire region would quickly become one large Iran.

Even as the tense negotiations over the seized embassy continue, political violence is spreading in Colombia. This past week, three terrorist bombs were set off in three different cities, including one at the Mexican consulate in Medellin. A radio station was also reportedly seized by ultraleftists in the port city of Barranquilla. In response, Defense Minister Camacho Leyva authorized his troops to kill any “suspicious” individuals or those who fail to obey a “halt” order. As a result, over half a dozen people have been killed in two days by trigger-happy troops.

Caribbean now new center of war danger

by Lyndon H. LaRouche, Jr.

In my nationwide half-hour NBC-TV address of Jan. 27, I stated that I was omitting discussion of the potential for an early thermonuclear war crisis in the Caribbean. With a terrorist attack on the Dominican Embassy in Bogota, Colombia, the Caribbean nuclear confrontation with Moscow was set into motion.

Now, as in the case of the taking the U.S. citizens hostage in Iran, the official Carter administration coverage of the Bogota hostage crisis is predominantly a pack of lies.

Avoiding as much as possible the kind of information which would be immediately understood only by high-level intelligence circles, I report the most relevant of the more easily understood facts of the new hostage crisis as we have them in hand at this moment.

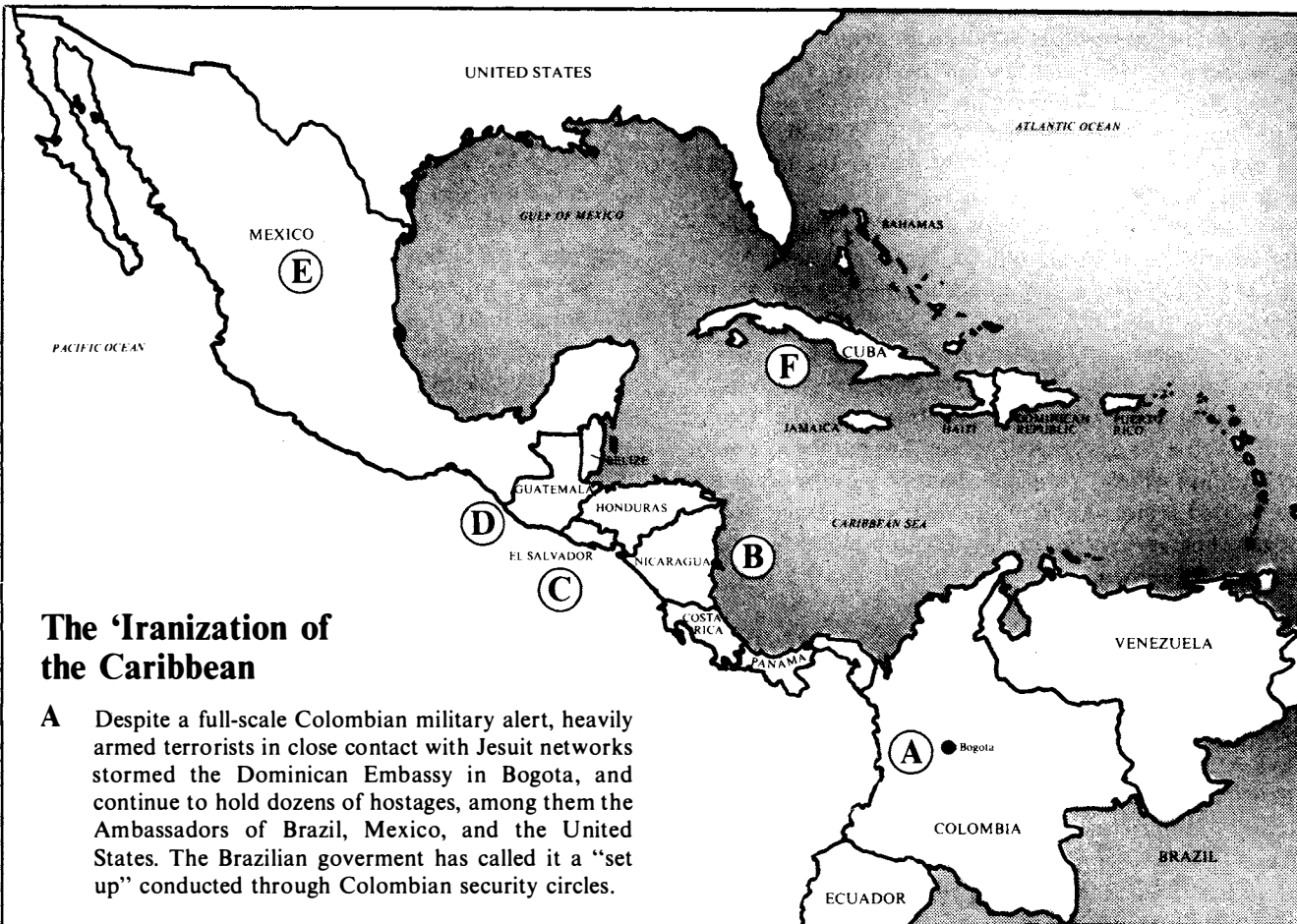
A plot known well in advance

A heavily armed terrorist group stormed the Dominican Embassy in Bogota, Colombia while a large part of the diplomatic community was there, attending the celebration of a major Dominican national holiday. About 60 hostages are reportedly being held, in addition to an undetermined number of dead and injured. The hostages include the ambassadors of Brazil, Mexico and the United States. The U.S. ambassador is currently negotiating, by walkie-talkie, on behalf of the terrorist group holding himself and other hostages.

This attack was widely advertised in advance.

In the Feb. 16 issue of a leading Mexico City daily, *Excelsior*, it was reported that the Colombian military had been placed on a full-scale alert, because of the discovery of a “terrorist plot against foreign embassies in Bogota.”

In the Feb. 22 edition of a London intelligence publication, *Latin America*, the following item appeared under the slug “Colombia/Alert”:



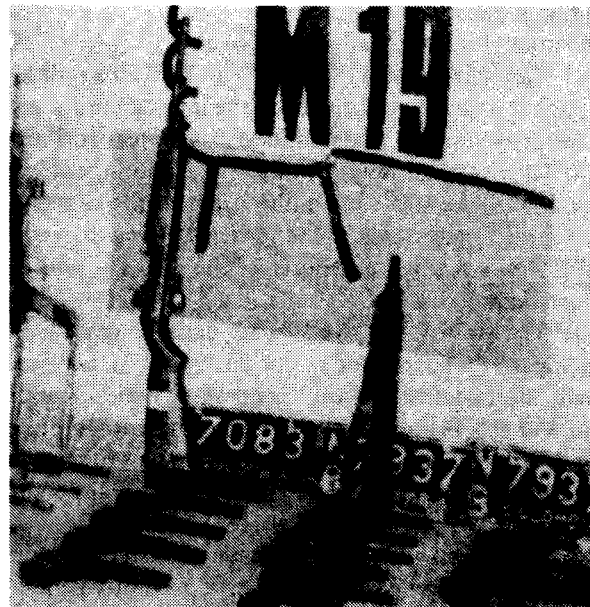
The 'Iranization' of the Caribbean

A Despite a full-scale Colombian military alert, heavily armed terrorists in close contact with Jesuit networks stormed the Dominican Embassy in Bogota, and continue to hold dozens of hostages, among them the Ambassadors of Brazil, Mexico, and the United States. The Brazilian government has called it a "set up" conducted through Colombian security circles.

The following warfare potentialities are brought to the threshold of action by the effects of the ongoing hostage crisis in Colombia.

- B** A Colombian invasion of Nicaragua, to which powerful "right-wing" oligarchist forces inside Colombia are committed.
- C** A "right-wing" coup in El Salvador aided by "right-wing" elements in Guatemala.
- D** A "leftist" insurrection in Guatemala, quickly involving Honduras and possibly Belize.
- E** An "Iran-style" destabilization of Mexico, designed at the Washington, D.C. Georgetown University (Jesuit), featuring "left" and "right" deployments under control of the Bishop of Cuernavaca (Jesuit) and potential "left" terrorism against Mexican oil fields.
- F** U.S. military action against Cuba, as "leaked" into U.S. press recently by Kissinger and Brzezinski channels.

Under present circumstances, the activation of F by the Carter administration is sufficient to provoke general thermonuclear war. Otherwise, the combined effects of these scenarios afoot around the Bogota hostage crisis is to bring the Caribbean to the threshold level at which the crisis spreads into South America, triggering continent-wide warfare as per the scenario drawn up by Luigi Einaudi and Henry Kissinger for a "Second War of the Pacific."



"The armed forces have been put on full-scale alert after the alleged discovery by the government of a plot by unidentified left-wing groups to attack various embassies in Bogota. After recent disturbances at the national university and the arrest of more than 20 students, the university has been closed until after the local elections on March 9."

The Dominican embassy is opposite a major university campus in Bogota, and the terrorist attack on the embassy was followed by an accompanying riot on that campus.

The situation is therefore analogous to Secretary of State Cyrus Vance's cooperation with Henry A. Kissinger in bringing the exiled Shah of Iran into the United States—after Vance himself had earlier authored a memorandum in which he warned that entry of the Shah into the United States would probably trigger taking of U.S. citizens hostage by the Iranian dictatorship of Ayatollah Ruhollah Khomeini.

Who controls the terrorists

The terrorist group claiming responsibility for the attack is known as "M-19." The group is known to be backed by the "liberation theology" network among Latin American Jesuits, and is linked by intelligence circles to the son of the former Colombian dictator, Alvaro Gomez Hurtado, himself a leading Jesuit operative.

In particular, the following illustrative facts are well-known concerning "M-19":

(1) They murdered Jose Raquel Mercado, a leading Colombian trade unionist then organizing resistance to the Milton Friedman policy of imposing austerities modeled on those of Friedman's idol, Nazi Finance Minister Hjalmar Schacht.

So much for their "left wing" cover.

(2) They seized more than 4,000 arms from a military camp, over a year ago, triggering the implementation of the "security statute" as demanded by Gomez Hurtado.

(3) They work closely with the "liberation theology" Jesuits in Colombia, including the Jesuit-controlled proinsurrectionist magazine *Alternativa*. This magazine is otherwise a leading promoter of the growing and use of marijuana.

(4) The ability of "M-19" to deploy against the Dominican Embassy under conditions of a full-scale security alert against just such impending actions echoes Cyrus Vance's bringing the Shah into the United States without any precautionary steps either to evacuate or adequately defend U.S. diplomatic and consular personnel in Iran.

Moreover, all the facts we have reported here are fully known to the U.S. intelligence community generally, and the State Department's intelligence units in particular. Hence, the distorted official report put out by the

State Department last evening has a highly suspicious character.

Three imminent warfare threats in the region

At this moment there are three imminent warfare potentialities afoot in the Caribbean region, all brought to threshold of action by the effects of the ongoing hostage crisis in Bogota.

(1) Colombian Invasion of Nicaragua: The "Alvarista" forces in Colombia are openly committed to military operations against Nicaragua. Recently, this projected enterprise was given implicit blessing by the president of Panama.

(2) This operation dovetails with the coup being prepared directly to Nicaragua's north. "Right-wing" forces in El Salvador, based in Guatemala, have murdered a high official of the El Salvador government in his home, and a coup is expected at any time.

(3) The casus belli between Colombia and Nicaragua was set up by "liberation theology" Jesuits within the Nicaraguan government, claiming some otherwise ridiculously unimportant islands.

Attention must also be called to: (4) The role of the Bishop of Cuernavaca (Mexico), controller of the Communist Party of Mexico, and visibly leading representative of the "liberation theology" faction of the Jesuits in the Caribbean region, in his operations, beginning during 1978, to induce Cuba's Fidel Castro to ally himself publicly with the terrorist "Puerto Rican independence" forces. It is this faction of Jesuits, tied to the anti-Papal "New Rome" heretics in the United States, which is the controlling link between the Central American revolutionary forces and the governments of Cuba and Mexico respectively. Thus, through this heretic faction of Jesuits, overlapping Philip Agee and Ivan Illich, the treasonous elements of the U.S. foreign-service and intelligence communities are able to orchestrate "left-right" destabilization scenarios in much of Latin America through Georgetown University-centered networks.

The "Kennedy machine" within the U.S. intelligence and political organizations is most intimately overlapped with this Georgetown-centered operation. The Kennedy Center for Bio-Ethics at Georgetown University is one of the leading backers of the anti-Papal heretics of the Jesuit's "liberation theology" faction, as well as a leading voice for the "right to die" brainwashing operations against U.S. citizens.

These highlighted points indicate the way in which Cuba and Mexico are being sucked into a potential nuclear-war crisis by means of general destabilization in Central America.

(5) This is being fomented in coordination with an unleashing of all sleeper capabilities within Cuba itself, a combination of operations designed to provoke the Cas-



Alvaro Gomez Hurtado

tro government into a mood for punishing those it deems responsible.

(6) This is being promoted in leading political candidates' and related other circles by Carter administration briefings which repeatedly propose action against Cuba as a "credible" (Zbigniew Brzezinski's formulation) counteraction against Soviet postures in Asia.

(7) This is being deployed at just the point that the entire Carter administration "Arc of Crisis" and "China card" gambits have backfired. The humiliating failure of Carter policy operations in Iran is highlighted by the total failure of Carter's efforts to secure release of the hostages in time for the Feb. 26 New Hampshire primary. Iran now repudiates any "linkage" between Secretary-General Waldheim's humiliation of the United States and negotiations for release of the hostages. The hostages are now to be held until well into May, at the earliest, according to latest official Khomeinai dictatorship statements.

(8) Any threatened military action between Colombia and its neighbors will probably trigger activation of the "Second War of the Pacific" scenario. That scenario was developed for Henry A. Kissinger by Latin American specialist Luigi Einaudi of the Rand Corporation, and is a scheme for embroiling all of South America in a kind of "Thirty Years War" modeled after the 1618-1648 war in central Europe.

(9) Another extremely important cog in the wheel of Caribbean crisis is Venezuela. Leading elements in Venezuela are deeply involved in El Salvador. The ruling COPEI party strongly backs the Salvadorean Christian Democracy's participation in the ruling junta. While presumably backing the Salvadorean factions nominally allied to the Nicaraguan government's stability, Venezuela, a key case for Caribbean "Gusano" deployments, is a

principal conduit for destabilization operations inside Cuba itself.

In summary on this point, the three operating scenarios afoot around the Bogota hostage-taking are (1) A Colombian military operation against Nicaragua, dovetailing with "right wing" coup deployed into El Salvador from neighbor Guatemala, triggering "leftist" insurrection in Guatemala, and quickly involving Honduras and probably also Belize. (2) The drawing-in of both Cuba and Mexico into the Central American destabilization, leading to "Iran-style" destabilizations inside Mexico and a possible U.S. military action against Cuba. (3) The bringing of the crisis up to the threshold level at which it spreads into South America, triggering a scenario along the lines of the Kissinger-Einaudi "Second War of the Pacific."

All of this occurs under the condition that a U.S. military action against Cuba remains a thermonuclear casus belli between Washington and Moscow.

Is it likely?

On Feb. 16 the New York City *Diario-La Prensa* carried a report of an interview with Zbigniew Brzezinski's National Security Council aide David Aaron.

"Aaron asserted that Castro is playing an important role in the current situation in El Salvador, and that he is basically trying to reunite all the left guerrilla groups in order to confront them with the government junta. Aaron feels that in this regard the Cubans have scored some successes."

Naturally, no mention of the Georgetown University management, via Cuernavaca, of the most important connections between Havana and El Salvador. Sure, Fidel Castro is repeatedly demonstrated to be an easy mark for manipulation by the "liberation theology" faction of the Latin American Jesuits. Castro is involved, but chiefly through channels controlled by the circle around the "left-Jesuit" Bishop of Cuernavaca. My own intelligence service has penetrated these connections and has issued repeated warnings to various relevant U.S. intelligence and other entities, plus a brutally undiplomatic warning to Fidel Castro concerning the implications of his foolishness in this matter.

Following the Feb. 16 leak to *Diario-La Prensa*, an escalation of the same garbage was leaked through the pages of the *Washington Star*. In the course of a lengthy article slugged "Experts See New Cuba Role in Hemisphere Revolution," there is included the key passage:

"Specialists say that Cuba has in the past year or so assigned higher priority to attempts to subvert regimes in Latin America. They discern a new phase in the Cuban effort to spread communism in this hemisphere."

This is followed by an item conducted through yesterday's edition of the *Washington Post*:

"The U.S. Embassy in El Salvador has become a

fortress, waiting for attack. Iron gates and newly installed, thick concrete walls guard the main entrances; sandbagged gun emplacements are strategically located on the roof. Deep lines of stress mark the faces of the men and women who work inside."

Yesterday's Paris newspaper, *Le Monde*, adds:

"Could the U.S. take the initiative of launching a new military intervention south of the Rio Grande? It is, definitely, the evolution of thinking in the U.S. in the wake of the Soviet intervention in Afghanistan, that they are no longer the 'bad guys' of the planet, and so they would prefer to risk alienating themselves from their neighbors than to allow the propagation of revolution in what is their own hunting grounds."

Although *Le Monde* has some inputs from high-level circles in France, it is also closely allied otherwise to Mrs. Katherine Meyer Graham of the *Washington Post*, and, together with the English-language *International Herald Tribune*, a leading "leak sheet" for conducting Manhattan banking circles' policies to the attention of European influentials. The cited *Le Monde* article experts recognize as "I.D. format" for a Brzezinski-Kissinger leak.

There are many other echoes of the same theme around the world. The Soviet press service Novosti, usually representing a different shading of Soviet perceptions than TASS, is openly referring to possible U.S. military moves. Most relevant, a few days ago, Chicago banker Anderson delivered a public "U.S. offer" to defend Mexico's oil from threats, adding the overtone of threat, that the United States itself is the only military threat to Mexico and the entire Caribbean-Central American region.

Over the year-end, a leading British intelligence spokesman stated that although he would never have imagined earlier agreeing with LaRouche on any important policy issue, he agreed that the British had been wrong, and LaRouche correct, in Britain's overlooking the depth and weight of the "psychosis factor" in and around the Carter administration. To put the point in language suited for plain speech among friends in the kitchen, "Those nuts in Washington are actually moving the United States toward a thermonuclear scenario in the Caribbean."

Compared to Iran hostage articulation

Intelligence-witting Republican circles, including those linked to George Bush, currently describe the combined taking and manipulation of U.S. hostages in Iran as being either "articulated" or "manipulated" by the Carter administration. These judgments are based inclusively on official State Department documents of the sort secured by Congressman Hansen (R-Idaho) and published in such locations abroad as the Dublin (Ireland) press. Also included in the collection is a commu-

nication from official Carter administration representative Ramsey Clark to former Khomeiniac dictator Yazdi, in which Clark solicited from the Iranian dictatorship some action to secure the Shah, the tone of the letter implying an "imaginative action" of the sort one must equate to the taking of U.S. citizens hostage.

It is stated by these Republican circles that (A) they intend to use this information "to destroy President Jimmy Carter politically," but that (B) this denunciation of Carter will be delayed as agreed in the "national unity" agreement made last November between Henry A. Kissinger and Cyrus Vance. Until the hostages are either released or killed, Republicans possessing this devastating information against the Carter administration are to be held back.

It is doubted that Republican candidates will reveal the complete truth concerning the Carter administration complicity in the manipulation of the hostage situation. Reason: Henry A. Kissinger and Kissinger's traveling piggy-bank, David Rockefeller, were up to their ears in pressuring the Carter administration to bring the Shah into the United States, and in creating the dubious argument that the Shah had some urgent medical needs which could not be competently treated in Mexico.

The principal, documented facts of the development of the Iran crisis are as follows. The parallel to the developing Caribbean crisis is clear enough once these facts are considered.

How the 'arc of crisis' was cooked up

The key to the entire history of the present crisis in Iran, Pakistan and Afghanistan begins within a subdivision of the British Secret Intelligence Service known as the "Arab Bureau." It is relevant to note that the "Arab Bureau" was created as a "rib taken out of the Indian Office" of SIS during the late 1920s, and that the chief field officer for the newly created Arab bureau at that time was St. John Philby, a prolific writer, a professed convert to Islam, once decorated by Soviet leader Nikita Khrushchev, and the father of the notorious H. "Kim" Philby who is today a recently promoted general officer of the Soviet State Security Organization (KGB). During the initial phases of the Arab Bureau, SIS and MI-5 cooperated to launch the "Muslim Brotherhood" in Cairo. Ayatollah Ruhollah Khomeini and his entire immediate ruling circle in Teheran are members of SIS's "Muslim Brotherhood."

The fact that the Arab Bureau is a "rib" taken out of the old Indian office of SIS is key to sorting-out the secondary complications of the Pakistan-Iran-Afghanistan operations today.

Historically, Khomeini's father was an agent of SIS's Indian office, under whose auspices Khomeini himself began his career as his father's successor.

This is also key to the complexities of the division between Sunni and Shiite divisions of the Muslim Brotherhood. The Shiite divisions (embracing Iran, Afghanistan, Pakistan and India) are historically structured as products of the Indian office, whereas the Sunni elements of the Muslim Brotherhood have acquired the structure derived from a half-century under the management of the Arab Bureau. However, the Jamaati-al-Islami, the branch of the opium-and-hashish-smuggling Muslim Brotherhood embracing the Zia dictatorship and the Afghan "rebels" based in Pakistan, is tightly coordinated at the top with the same command which also directs the Sunni branches of the Brotherhood or Ikhwan.

It is the combined forces of this British SIS-created Ikhwan, or "Muslim Brotherhood," which are the principal "asset" around which the "Arc of Crisis" "Islamic fundamentalism" "card" is constructed.

It was out of the Geneva (Switzerland) and London offices of SIS Arab Bureau that the "Arc of Crisis" doctrine of Brzezinski was originally cooked up.

This plan proposed the use of both the Muslim Brotherhood and assorted "particularist" nationalisms in the region from India, into Turkey, and down into Africa, to destroy all existing independent states in that region, and to create a fragmented region of squabbling petty autonomous regions, all modeled on the fourth century B.C. "oligarchical model" or "Persian model" world-rule scheme cooked up by the command of the "Western Division of the Persian Empire" based on Rhodes. In addition to the original, fourth-century B.C. "Persian model," the scholarly plotters of SIS's Arab Bureau employed the ninth-through-eleventh century Asharite destruction of Islamic civilization from within as the source from which to develop techniques for manipulating Muslim populations through perversions of Koranic beliefs.

Therefore, a noted Islamic scholar, Bernard Lewis, a subaltern of senior Arab Bureau official Sir John Bagot Glubb Pasha, was deployed to take a leading role in the development and implementation of the "Arc of Crisis" scenario.

How it was conduited into the Carter administration

The British SIS scenario was conduited into U.S. policymaking through the auspices of the Aspen Institute. That "charitable fondation" sponsored a study, directed by Bernard Lewis, which was then introduced to Carter policy through Henry A. Kissinger. This Aspen Institute conduiting of British policy into the Carter administration was first known as "The Bernard Lewis Plan." Later, it was given the more exotic title, "The Arc of Crisis," and also conduited into policymaking and news media under the alternative title of "Islamic Fundamentalism Card."

The following steps were taken, beginning mid-1977, to make the "Bernard Lewis Plan" operational policy of the U.S. intelligence community.

(1) The remaining capabilities of the CIA's "covert operations sections" were gutted by combined actions of Vice-President Mondale, Admiral Stansfield Turner, Naval Intelligence and corrupt elements of the FBI. Not only was the "cover operations" capability of the CIA destroyed under Turner during the massive purge of the summer of 1977, but Naval Intelligence and FBI teams were dispatched to uproot and destroy in-place private "assets" of the covert-operations sections. This purge of CIA capabilities emphasized CIA monitoring of Soviet policymaking and destruction of all independent CIA capabilities in the Middle East. Some frail vestiges of the CIA's in-place assets survived, but the overall capability of the CIA was destroyed in these areas, with Mondale-centered aid to Israeli and other secret-intelligence agencies to hunt down and variously kill, imprison or otherwise neutralize the few remaining survivors of the Carter-Mondale-Turner purge.

(2) With all independent, patriotic elements of the U.S. intelligence community largely "blinded" by this Turner purge, the Kissinger and Kennedy-machine crews were able to run disinformation through "national estimates" procedures. Increasingly, the "national estimates" and related intelligence findings put through administration and other channels have been wholly or partially lies.

(3) In this situation, Kissinger, Brzezinski et al. were able to exploit an Arab-Israeli peace negotiation, which I among others, had worked since April 1975 to set into motion, to use a "separate Israeli-Egypt" peace as a fraudulent cover for secret agreements which Israel and Cairo had been blackmailed into adopting.

I have a combination of direct and indirect knowledge of the contents of those secret agreements through my channels leading into high circles of those and other governments, including the overlay of those secret agreements with secret agreements between Carter and the Chinese Communists. Under these combined agreements, the Carter administration is in a three-way collaboration with the intelligence services of Communist China and Israel, working against all of the governments to which the U.S.A. is overtly or implicitly allied throughout Asia and Africa—including the destabilization of the Philippines, the Chinese Communist takeover of Taiwan, and the destabilization of Indonesia, Thailand, Malaysia and India.

(4) The establishment of the cosmetic "Camp David" cover for the secret agreements led to the immediate implementation of the next phase of the "Bernard Lewis Plan," the overthrow of the Shah of Iran.

Presuming that it was U.S. policy to maintain stability of nations on the Soviet Union's southern flank, my

associates and I worked to support stabilization of these governments, including the Gandhi government of India, the Bhutto government of Pakistan, and the government of Iran. In this connection, I was heavily involved in efforts to defeat Khomeinians from early 1978 onward, committing my resources to strengthening of the successor, Prime Minister Shahpour Bakhtiar government as the United States' last option for preventing general destabilization of the entire region.

(5) It is already reported in news media that U.S. NATO General Huyser was instrumental in implementing Carter administration orders to overthrow the Shah. It was former Attorney General Ramsey Clark, acting then and now as an official representative of the Carter administration, who led a Teheran demonstration demanding the overthrow of the Bakhtiar government in favor of the Khomeini dictatorship, and who has been closely connected to those persons who have been directing the "students" holding the U.S. hostages throughout the past 116 days.

Not only did the Carter administration, acting under direction from Henry A. Kissinger, orchestrate the taking of U.S. hostages, but that administration and Kissinger have since combined efforts to using threats of U.S. military action in the Gulf to blackmail Europe and Japan into bending to Carter administration demands delivered chiefly through Henry A. Kissinger and through close Jerry Brown and close Ramsey Clark associate, Warren Christopher. As a side-benefit of that exploitation of U.S. hostages for "crisis management" operations, the Carter administration is using its keeping the hostages in Iran as a lever for manipulating the 1980 U.S. presidential elections.

The analogy to the Hitler case

From 1932 through 1938, the British government not only put Adolf Hitler into power, but used Hitler as its adopted "asset" for "Eastward only" geopolitical purposes through the Munich agreements of 1938. However, having set their Frankenstein's monster, Hitler, afoot in that way, London overlooked the nasty propensities of overgrown Frankenstein's monsters to turn upon their creators. The accelerating collapse of the Carter administration's power to manipulate the internal situation in Iran is a fresh example of the same 'Frankenstein's monster principle' exemplified by London's creation of the Adolf Hitler regime in Germany.

The latest, Caribbean caper of the forces which control puppet-President Jimmy Carter, is another example. Of a nation which continues to tolerate Kissinger's and Carter's lunatic adventures in bluffing, one must repeat the old adage, "Whom the gods would destroy, they first drive mad."

The M-19 file *A Jesuit creation of Colombian military intelligence*

Over the past year, both Colombian and international press have expended significant efforts to give credence to the M-19 as a well-organized leftist guerrilla organization. However, *EIR* is in possession of growing evidence indicating that leading members of Colombia's Jesuit oligarchy, in particular Senator Alvaro Gómez Hurtado and the military intelligence and Church factions allied to him, are among the principal controllers of the M-19. This group and its international patrons not only stand to benefit most from the destabilization of Colombia and the Caribbean which is resulting from the M-19's current terrorist actions. It has in fact utilized every action of the M-19 over its six years of activity in Colombia to justify stepped-up repressive and police-state measures against the population and well-organized labor movement.

The M-19—shorthand for the *Movimiento 19 de Abril*—was founded in the immediate aftermath of the April 19, 1970 presidential elections which massively defrauded the followers in the ANAPO party of Colombian right-wing ex-dictator Gustavo Rojas Pinilla. One section of the ANAPO became so disillusioned with Colombia's lack of democracy that they decided to become urban guerrillas—or so the folklore goes. The M-19 was thus formed, largely out of right-wing exmilitary followers of Rojas Pinilla, and took its name from the date of their disenfranchisement.

Their first terrorist act was a pure publicity stunt: in 1974 they stole the sword of Simon Bolivar, Latin America's liberator.

Since then, Colombia's Jesuit networks have been working overtime to try to launder the M-19 as a bona fide "leftist" urban guerrilla group, including by trying to establish links with Nicaragua's Sandinistas. But the stigma of its "rightist" origins has persisted to this day. For example, just last week, Colombia's ambassador to Mexico told the press: "The M-19 was founded by ultra-

rightists. ... The fascists of the battered ANAPO group constituted themselves as a subversive group."

In the past year, a significant development has been the link-up between the M-19 and another urban terrorist group, the MAO, or Movement of Worker Self-Defense. The *EIR*'s evaluation, as corroborated by experts on Colombian terrorism, is that the M-19 and the MAO are now virtually one and the same organization—if there ever was any real difference between the two. One interesting indication of this is the persistent, though unconfirmed report that the head of the M-19 embassy takeover, "Comandante Uno," is Ernesto Charry Montealegre, a founder of the MAO.

The significance of this fact will be made clear below.

The M-19's modus operandi

It is striking the predictability with which every M-19 (and MAO) action since it first emerged in 1974 has resulted in a military crackdown against the population and labor movement it purports to defend.

- February 1976: The M-19 kidnapped and subsequently assassinated José Raquel Mercado, Colombia's foremost trade unionist and president of the Colombian Confederation of Workers (CTC). Though labeled as a "traitor to the working class" by the M-19, Mercado was at the time of his kidnapping engaged in negotiations to unite the country's four largest trade union federations against the government's imposition of World Bank-dictated austerity programs.

Sources close to Mercado in the Colombian labor movement have privately reported that his kidnapping followed a violent disagreement with the Labor Attaché at the U.S. Embassy in Bogotá. It is known that agents of Alvaro Gómez within the labor movement work closely with the U.S. embassy to prevent any efforts to forge trade union unity. The same Colombian labor sources have reported that their own investigations into Mercado's murder led them to find hard evidence demonstrating that a well-known member of the Gómez-linked oligarchy, and current cabinet minister, was a top controller of the M-19.

- September 1978: Members of the MAO, "disguised" in military uniforms, entered the house of former Interior Minister Rafael Pardo Buelvas and assassinated him in his bathroom while he was shaving—on the eve of a major labor mobilization. Simultaneously, the M-19 took over several radio stations to warn that former cabinet ministers would be assassinated to avenge their "repressive actions" against workers. Immediately following this, the Colombian military demanded—and the government acceded to—full implementation of a special "Security Statute" which in effect established military control over the country's judicial system. Under the aegis of the Statute, the military cracked down on the

entire left and labor movement, forcing the cancellation of the scheduled trade union march and rally.

- January 1, 1979: The M-19 carried out a spectacular robbery of a large military installation at Usaquén in the northern part of Bogotá. Without arousing suspicion from neighbors, passers-by, or the military itself, M-19 members Rafael and Esther Arteaga directed the construction of a sophisticated 80-meter tunnel from underneath their business front, Produmédicos, to the military installation across the street at Usaquén. They succeeded in constructing an electrified tunnel with ventilation and a railroad track; removing and concealing countless tons of dirt; and finally lifting over 4,000 weapons from under the noses of the military—all without arousing the least suspicion. Before escaping, they called the press and notified them of the robbery. The military reportedly only discovered the robbery after notification by the press.

Within days of this highly suspicious "guerrilla action," Colombia's armed forces demanded—and the Turbay government again acceded to—invocation of Article 28 of the Constitution, which suspends habeas corpus for individuals arrested on suspicion of wanting to "disturb the public order." The armed forces proceeded to carry out one of the most massive repressive dragnets in recent Colombian history. Hundreds of individuals—indiscriminately including M-19 terrorists, members of Colombia's Communist Party, and labor leaders—were arbitrarily arrested and in many cases tortured.

- February 27, 1980: M-19 terrorists, disguised as soccer players, take over the embassy of the Dominican Republic while a major diplomatic reception is in process. Despite the military being placed on alert at least 12 days prior to the seizure, in the foreknowledge that a terrorist assault would occur, not a single soldier or policeman was guarding the Dominican embassy at the time of the M-19 assault.

In response, Colombia's Defense Minister and Alvaro Gómez ally, General Camacho Leyva, has ordered his troops to "shoot to kill" anyone on the street who looks "suspicious or who refuses to heed orders to halt."

Since the Feb. 27 embassy takeover, trigger-happy military have killed a half-dozen citizens, and wounded 14 more. As of this writing, troops are sweeping the streets of the major cities, demanding proof of military service and are arresting all males who do not possess such proof. Colombia is today closer to a military coup than at any time in recent history.

Intelligence operatives in the M-19

The above demonstrates the agent provocateur nature of the M-19, on the basis of the evident effects of their terrorist actions. More startling still is the following

evidence that the group's leadership consists of military intelligence operatives, Jesuits, and the like.

- Tony López Oyuela: A former magistrate of the Superior Military Tribunal and chief of the Judicial Police of the political police (DAS). In 1976, López Oyuela was named to investigate the M-19 assassination of José Raquel Mercado in collaboration with DAS director General José Joaquín Matallana. In 1979, shortly after the M-19 arms robbery, López Oyuela—one of the highest judicial officers in the entire military—was arrested for criminal collusion with the M-19. He is now in jail awaiting court martial, and is one of the “political prisoners” whose release the M-19 is demanding.

The evidence against López Oyuela that has been made public includes the following. López Oyuela was legal counsel to Prodrugmedicos, the business front from which the tunnel was dug to the military camp to steal the arms. He is a close personal friend of the Arteagas who ran Prodrugmedicos and directed the theft. López Oyuela and Rafael Arteaga, who is now among the M-19's top leadership, previously rented professional offices together, and shared many of the same friends.

- Dr. Carlos Toledo Plata: Allegedly a founder and one of the top leaders of the M-19, Toledo Plata coordinated the arms robbery in January 1979. He was active in the right-wing of the Peronist movement as a university student in Argentina during the 1950's, and subsequently joined the right-wing of the Colombian ANAPO party formed by dictator Rojas Pinilla.

Numerous articles have appeared in the Colombian press to the effect that retired right-wing military officers who formerly followed Rojas Pinilla, now belong to the M-19 and have been crucial in providing the group expertise on military and security matters.

- Alfredo Camelo Franco: Franco was arrested and charged with the September 1978 murder of former Interior Minister Pardo Buelvas. Immediately prior to his joining the ultraleft M-19, Franco had been an employee at Alvaro Gomez's ultraright newspaper, *El Siglo*. He was hired at *El Siglo* by Gomez' brother-in-law, Hugo Escobar Sierra—who is currently Justice Minister in the Turbay cabinet.

Arrested along with Franco were two Jesuit priests, Luís Alberto Restrepo and Jorge Arango, who were leftist activists working out of the notorious Jesuit social action center, CINEP (Center of Popular Research and Education).

Also arrested for the Pardo Buelvas murder was one Juan Manuel González Puentes, a close personal friend and colleague of MAO-founder Ernesto Charry Montealegre.

- Ernesto Charry Montealegre: One of the founders with González Puentes of the MAO and its predecessor group, the Popular Self-Defense Forces (FAP), Charry is suspected of being the mysterious Comandante Uno of

the M-19, the leader of the current embassy takeover. Charry is an ex-seminarian who was originally arrested for the Pardo Buelvas murder, but then released “for lack of evidence.”

The M-19's support network

Over the last year both international and Colombian press have made a concerted effort to play up the M-19's “left” image. In the wake of the January 1979 arms robbery, the M-19 itself emphasized its alleged connections and solidarity with the Sandinista forces in Nicaragua, a fact which led Alvaro Gómez to suggest that Colombia join forces with former Nicaraguan dictator Anastasio Somoza, before his August 1979 political demise, to wipe out their common enemies: the M-19 and Sandinista forces. In January and February of 1979, Toledo Plata was reported to have taken refuge in neighboring Venezuela, where he claimed to be organizing an alliance of the M-19, the Sandinistas, and a grouping called the Venezuelan Armed Forces of National Liberation. And within Colombia, Uruguayan and Argentine nationals, said to be members of the Tupamaro and Montonero organizations, have been arrested in conjunction with the M-19 investigation.

Parts of the Colombian left have denounced the M-19's extremist actions as leading to greater repression of the population. This was the case with the Colombian Communist Party (PCC) who in 1978 stated that behind the Mercado killing “there can only be the pro-coup (military) forces, which carry out bombings, assassinations and which seek to disorient our people's struggle.” The PCC also labeled the MAO as a police organization.

However, groups like the Maoist-oriented “Firmes” and the widely read magazine *Alternativa*, have given the M-19 legitimacy as a left grouping and readily publish its communiques and statements. When the M-19 carried out a “plebiscite” to determine whether Mercado should live or die, *Alternativa* published its results.

Alternativa is also crucial as a central clearing house for the various Jesuit and Maoist layers in Colombia, for establishing international links for them, and for providing a “left” cover for fascist policies that the oligarchy otherwise supports. This is the case with their advocacy of the legalization of Colombia's mammoth marijuana production—a point they share with Senator Gómez Hurtado.

Many of *Alternativa's* international connections are run through its founder, Gabriel García Márquez, a famous Colombian novelist who is intimate with the international “left intelligentsia”—such as Mexico's Carlos Fuentes and France's Jean Paul Sartre—who are terrorist controllers in their respective countries. García Márquez is also a member of the Bertrand Russell human rights tribunal.

—Dennis Small and Cynthia Rush



'Today's terrorism is tomorrow's heroism'

A lot of journalists and political analysts have drawn the obvious comparisons between the embassy takeovers in Teheran and Bogota: the fact that embassies were invaded, the hostage taking, the human rights questions, the possibility, even probability, of violence. But after all the dust settles, one fact will remain, unmentioned by these hostage-watchers: A giant step will have been taken toward reformulating international law along lines antagonistic to national sovereignty.

From the highest levels, the strategic planners behind the events in Teheran and Bogota set up the crisis situations to show that national laws and the current international code of laws are inadequate. New situations require new laws, a new approach, a "One World" approach, superseding national sovereignty.

As *EIR* has shown in its coverage of the Iran crisis, the human rights question has been manipulated to justify the formation of a tribunal to hear everything from charges against the Shah of Iran to claims that the United States has committed the crime of "ethnocide" against the Iranian people—the crime of introducing technology to develop backward countries.

The tribunal is the work of the United Nations and its Secretary General Kurt Waldheim, leading figures in the "One World" conspiracy. And the United Nations is very directly involved in establishing a codified international law through the Foundation for the Establishment of an International Court and International Law Commission, a nongovernmental U.N. organization. In an interview made available to *EIR*, the foundation's Robert Woetzel is quite optimistic about the outcome of the hostage crises vis á vis international law and legitimizing terrorism. Woetzel is the senior professor of international law and politics at the Jesuit Boston College. He and the foundation, based in Newton, Massachusetts, work closely with Waldheim and are the authors of all inter-

national law put forward by the United Nations.

This strategic thinking has begun to filter into the national government policy-making circles, particularly since the Colombia crisis. Sources within the Colombian Foreign Ministry are saying that something must be done to lift the extraterritorial status of embassies. "It is an anomaly of international law, because you are both responsible and not responsible," said one.

Bolivian officials in Colombia are raising similar objections. Either the host government is responsible or the country occupying the embassy is responsible for everything involving that particular embassy, the argument goes.

Some of these strategists are less sanguine than Woetzel about the effectiveness of the hostage tactic. "It's utopian" they say. But they have no disagreement over what they want to see in the decade of the 1980s: a One World order where national sovereignty is a thing of the past and the International Monetary Fund is dictating economic policy.

The following is the interview with Robert Woetzel.

Q: I am interested in hearing your solutions to the current problem of terrorist takeovers of embassies. I have spoken with a number of people who have a clear picture of the terrorist situation and at Georgetown they believe that there are at least 30 embassies around the world which are going to be hit with terrorist takeovers, but no one can come up with any answers.

A: We have handled these types of matters informally. Let me say first of all that the Foundation is under Article 71 of the charter of the U.N., and we work with the United Nations therefore, and this is our special preserve. The solutions that Secretary General Waldheim has been seeking in Iran and that we have been recommending for

some time now are directed toward a practical quid pro quo. In other words, what is involved essentially is demands by guerrilla forces or partisan groups; and these demands have to be met with certain expectations from the governments, or the incumbents, so to speak, because today's terrorism is tomorrow's heroism. There's kind of a balance. As you recall, there are posters still out circulating for the arrest of Mr. Begin, for example, the minister of Israel for similar acts of terrorism. And if he weren't a head of state he would be subject to arrest... so the situation is one where you have to be realistic. And the situation in Colombia, as well as Iran, require two things. First of all, an agreement on principals of how to treat each other.

If you're going to treat the other side, that is, for example, so-called freedom fighters or guerrillas, as ordinary criminals, and execute them or blind them like the victims of the Iranian revolution which have just been shown to the commission of inquiry, then you can expect the embassy takeovers. There is a definite link between, for example, patterns of torture by incumbents and takeovers of embassies....

So you need an agreement on a code of offenses—code of offenses against peace and security of mankind, it's called—which will include torture and other such actions, and also hostage taking and kidnappings. We do have a hostage convention that the West Germans introduced and which was passed by the General Assembly, but it is not effective because you need an effective quid pro quo. That's where we come in. We have drafted a code which is now a high priority item for the next General Assembly according to Resolution 33-97.

The next step is ... because we don't have a central law giver so we begin with practical steps first and only with principles later. The commission of inquiry, for example, that has been appointed in Iran, we worked out the details of such a commission two years ago, and it's on the basis of our draft that they made an agreement. So the commission of inquiry and then after that of course we will have to have follow-up. The Americans wonder why they don't release the hostages; well of course not. At this stage, of course, they could as a good will gesture, but it would be misunderstood here. In other words, there has to be implementation of the findings of the commission first. You can't release your leverage.

This tactic, incidently, of the guerrillas was established since Americans are so pro-Israeli, by no one else but Begin. There's a book by J. Bowyer Bell, an associate of Brzezinski from Columbia, and he calls it the "strategy of leverage." So that with very little force you can bring the big powers to heel. *That's what's at stake in Colombia*, the strategy of leverage. In other words, the big powers have to come to an agreement that they will treat the guerrilla forces according to international law.

The additional protocols to the Geneva convention from 1936 state that guerrillas also have rights under international law. You cannot torture them and treat them like outlaws.

Q: This all sounds very good, but will the sovereign countries go along with the U.N. resolutions? Is there going to be some way to back up the U.N. resolutions so that the nations go along with it?

A: Well, there are two levels here. The unofficial one in Colombia, actually. The guerrillas did kidnap at one point a Sears executive. I know Sears Roebuck, I have a good friend, the vice-president of Sears in Chicago, Dr. Clarence Mann. He will probably not be willing to talk to you because it is confidential information from their point of view, although I know it. So the thing is, they worked out an agreement with the guerrillas: their transnational corporation, Sears, would not do certain things in return for which they would not be kidnapped. And their man was released.

I don't think there is any other way except what Begin calls the strategy of leverage, to convince governments that they will have to respect the rights of guerrillas according to the additional protocols of the Geneva convention.

Q: Then you're saying that this kind of situation will continue until the guerrillas get their rights?

A: Right. I think if you ask Mr. Begin, who is now the prime minister, if he were still a guerrilla, would he continue the bombing of the King David Hotel, he would say definitely. In other words, there is no other way of convincing governments. So that it takes some time, this strategy of leverage, which catches innocents as well as guilty parties; and the guerrillas are trying to make an effort, incidentally, to distinguish between innocent and guilty. For example, they did release in Colombia a woman who they felt was totally innocent... in Iran they tried to distinguish between blacks and others who were possibly not guilty according to their definition of American internal affairs.

Q: What about the government? Won't they lose their authority if they give in to the guerrillas?

A: Yes. There are two ways of reacting. One is in accordance with Begin's strategy of leverage—which is they will overreact... That overreaction plays into the hands of the guerrillas. They are willing to pay that price... The other way is to back down completely and to do what the Germans did in the case where they gave that airliner to the guerrillas and ended it in Mogadishu. That will diminish the respect for the government and for its principles.

The only way is the way that we outlined in the code

of offenses that must be agreed to by all concerned, including the guerrilla movement. There are certain characteristics which the Geneva convention laid down for recognized guerrilla movements. They have to have a chain of command, they have to carry their weapons openly in combat, they have to wear recognizable insignia, they have to abide by the laws of war. This is the most important in a way ... If they are not willing to do that they forfeit a haven anywhere, according to the hostage convention that has just passed the General Assembly. Most countries in our time, our age will give special credence to the just war of liberation movements. Like in another time, there was a just war doctrine, there is one in our age. And in our time, liberation movements that are recognized and fulfill the obligations of the international law are granted the right of just war.

Q: So you are defining the difference between a terrorist and a guerrilla?

A: That's right ... now these situations like Colombia and Iran occur because guerrilla movements, and insurgents and belligerents, they're called in international law, are not treated properly. So they are trying to gain leverage, one way or the other they know they will win.

Q: The government is in a no-win situation?

A: Unless they say to the guerrillas, like Sears Co., which is way ahead of the government: You abide by the principles of the Geneva convention and we will treat you like prisoners of war decently and properly and not as criminals. Sears did this on another level. You know what I mean, they would not assist the government, they would not support it economically. I know some of the clauses in that agreement. It's a secret agreement between them and nothing has happened to any Sears executive since then. The transnational corporations are moving ahead on their own.

Q: Will this type of thing continue into the future indefinitely?

A: Until the code of offenses is ratified. And a commission of inquiry, either a standing commission or ad hoc commissions, either is acceptable, are institutionalized. And tribunals are instituted for the trials of not just guerrillas, but also of officials...

Things have moved rather rapidly in Iran. For example, the commission of inquiry is in place. The terms of reference have been agreed on although they are confidential. They follow the recommendations we have made in fact...

Now last December the United Nations voted for the code of offenses, 116 for, 23 abstentions, and none against. The 23 abstentions led by guess whom? The United States. So the United States and countries allied

with the U.S. are going to have to continue to expect that. Until they agree to a code of offenses, and mechanisms of implementation. They [U.S.] now say they want a code of offenses linked to mechanisms of implementation. You must understand that this is technical; the socialist countries cannot accept this, because they cannot allow capitalist judges to sit over socialists. So they are willing to go along with ad hoc mechanisms, that is, case-by-case, like in Iran ... but not permanent, like Nuremberg, the tribunal that would follow the commission. That's why the hostages cannot be released immediately. There has to be some follow-up. David Rockefeller will simply throw the report of the commission into the file 13 ... there has to be some kind of implementation. But ad hoc is fine, it wouldn't have to be permanent.

Q: Are the socialist bloc countries cooperating with this?

A: Yes, with ad hoc mechanisms, but one proviso. They think that logically, and they're right, in my opinion. My vice president is Soviet, incidentally, and we have 30 countries working with us and we got the 116 together and we're meeting again on April 13 here. We all believe that, of course, before you implement you must know what you want to implement. So therefore, a code should come before mechanisms ... Now, in Iran, they did this through secret agreements. ... so the Americans and their allies, the 23, are at this time opposed to any form of international order in this area. They would rather take their chances with the political. In other words, they can brand the guerrillas in Colombia as terrorists, or the Ayatollah as a terrorist and thereby hope to achieve international recognition of their causes at this stage.

However, Mr. Carter has moved considerably from that position by recognition of the commission of inquiry. And the American position will have to yield in the coming General Assembly to the sense of things. In June, there is a test when it is going on the agenda. If the American delegate objects that it be made a high priority item, you can get two more embassies taken, at least. In other words, what you do here, we do to you: there is their answer. So don't think you're immune because you're sitting in Chase Manhattan Bank. We can catch you somewhere else.

This is an international mood, it is an international strategy of these movements. Some are more effective than others, like the American underground is terribly ineffective, as Bowyer Bell correctly points out. But eventually it will come here too.

Q: You think so?

A: If the right wing can assassinate Orlando Letelier a few feet from the White House, the left can respond in kind.

What happens next at the embassy?

Although the situation at the seized Dominican Embassy in Bogota is highly volatile and unpredictable, the built-in inflexibility of both the M-19 terrorists and the Colombian government makes a bloodbath there an increasingly likely outcome. It is widely reported that Pope John Paul II, with very strong political influence-potential in a Catholic nation like Colombia, is conducting an initiative that is reportedly designed to force a more flexible position on the government. Essentially President Turbay is faced with the immediate prospect of a coup d'etat if he concedes anything to the terrorists. Those domestic constraints are the fundamental problem, say specialists. The consensus of Colombia experts consulted by EIR is that serious violence is in fact probable, as exemplified by the following excerpts from an interview conducted with a sympathetic academic specialist who asked to remain anonymous.

My basic feeling is that there is a certain inflexibility in both positions. The M-19 is not going to pack up and leave without gaining at least a good part of its demands. The Colombian government cannot concede. There will probably be pro-forma negotiations for two weeks, a week, something like that. The first time the M-19 gets fed up with this and kills someone, it's entirely possible the Colombian government will assault the place, like Entebbe, or the Spanish Embassy in Guatemala... It'll be a bloodbath if that occurs. I don't see any way out. It's a question of *when* it is going to occur, not *if* it is going to occur... The Colombian government has no room for negotiations or anything; the domestic political constraints are too severe...

Within a week or two it's going to become increasingly clear that the Colombian government is inflexible; that the M-19 is increasingly unwilling to concede any more than it already has conceded, in terms of releasing women and that kind of thing. And they are going to reach a bottom line, and at that point it is going to be incumbent on the M-19 to either accept safe passage out of the country without hostages, or start assassinating the ambassadors, one by one...

I believe they will start killing hostages. The M-19 would be severely weakened by this—to stand up and say their piece, and then back out, rather than carrying through to the bloody end. It would be the final blow

to the M-19... These are committed, highly trained, very well organized individuals. The nature of this operation was superb from a planning point of view. And they're not about to give up.

They have already demonstrated their relentlessness if you like, in the assassination of Raquel Mercado. They announced for weeks that they would kill the guy if the Colombian government didn't negotiate, and they did. And they ended up tying him to a post in downtown Bogota, dead as a door nail, right after the elections... They are not going to give up. They haven't in the past, and they're not going to again. And if all of them get killed, they'll at least go out in a blaze of glory.

“This could happen in at least 30 countries”

The people responsible for creating international terrorism have been gloating, of late, over the success of their Iranian destabilization. And they have been “predicting” that embassy takeovers and other forms of terrorism will spread like wildfire as a result. The following interview with Kissinger-intimate Roger Fontaine, the head of the Latin America section of the Jesuit Georgetown University Center for Strategic International Studies, was made available to EIR by an independent journalist.

I said when the Iranian thing was taken over by the militant students, that if the United States did not act promptly, swiftly and with a lot of force, there were at least 30 countries in the world where this would happen again. Colombia was one of them. The reason is, because there are just a lot of countries that are weak enough and polarized enough with militant groups ... who are desperate and dangerous enough to do this sort of thing. ... We've seen takeovers in El Salvador, takeovers in Guatemala, now in Colombia. I think there are at least five other countries in the region where there are people in place that could do a similar thing. And I'm not going to name them, because I don't want to give them any ideas. Not that I don't think they already have them.

A colleague of Fontaine's at a nearby university was a bit more specific:

I would expect a rash (of embassy takeovers) in Latin America, not just in Colombia, but in many other areas—in Ecuador, in Venezuela, in many others part of Latin America. Because ... there's been a continuing guerrilla movement that has not been completely stamped out. They've never tried this kind of thing. In a way they've raised the ante, and it's proved effective.

Giscard's Gulf trip: Europe builds 'arc of stability'

by Thierry Le Marc

Never has the contrast between the failures of American diplomacy and the success of European initiatives been so clear. While Carter was busily destroying the last bits of credibility America still had internationally, Europe under the leadership of France was relaunching new initiatives on all fronts with world-wide support.

The contrast is even more blatant if one compares the Arab condemnation of Carter's latest backtracking on the issue of Israel's settlement policy, with the reception given to the French president. Called a "coward" by most Arab states, Carter just received some "compassionate" words from the Saudi state radio which called on "Allah to have mercy on his soul."

New world leadership

This contrast only underlines one obvious development: a new leadership is emerging, leaving aside the crazies in Washington. This was precisely the aim of the French president during his 10 day visit to the Gulf and Middle Eastern countries.

One of the longest tours abroad ever made by the French president, the visit, which was closely coordinated with France's European partners and other allies in the developing sector, had the aim of paving the way for the settlement of a number of crises. On top was the Afghanistan crisis, the Middle East Israel-Arab conflict, and the problem of Palestine.

Giscard never fixed a precise agenda, according to *Le Figaro*, but instead aimed his talks at global problems. The close relationship between France and West Germany, the cornerstone of European unity as it was defined some days earlier by Giscard, the commitment of France to a fundamental policy of non-alignment, to prevent the dividing of the world into two blocs defined by the superpowers, and the commitment of France to industrialize the developing sector, were principles of Giscard's policy.

Giscard chose Kuwait as his first stop to pave the way for a new Middle East initiative. In a word, he gave the

death sentence to the American-inspired Camp David 'peace agreement'. Explaining that the right of the Afghanistan people for freedom was to be applied also to the Palestinian people, he called for Palestinian self-determination through the creation of a Palestinian state in the Israeli-occupied territories of the West Bank and Gaza. The French president stressed that such an agreement could be reached only through a global settlement.

Despite the acceptance in the region of Giscard's fundamental principle of the right of *all* states to exist, the Israelis reacted with fury. The *Jerusalem Post* denounced the "sordid" interest of France in Arab oil. Notwithstanding such behavior, in a matter of days much of Europe followed France's lead. West Germany was the first to openly declare its "entire satisfaction" with the declaration of the French president.

Last were the British who otherwise let it be known that they were quite annoyed at such an intervention by France, adding that Paris was "just complicating matters." What was obviously complicated was the British game in the region. An International Institute of Strategic Studies-connected journalist predicted that "France will soon be sorry that it made such a declaration."

What the British were in fact quite bitter about was the fact that France's diplomatic breakthrough will have immediate consequences. It will likely lead to European Economic Community official recognition of the PLO in a matter of a few months. This matter will be discussed at the coming EEC Foreign Ministers Council on March 17, and later on at the EEC Council March 29, but it will also lead to something still bigger.

Kept high on the agenda of the discussions was the realization of a dialogue between the Middle East, Western Europe, Africa and other developing sector regions, with the approval of the socialist countries. This was in fact a demand of the Gulf states. During Giscard's visit, Gulf states such as Qatar and the United Arab Emirates made clear they wanted something bigger than a European-Gulf dialogue as it was proposed last summer. Not

surprisingly, Qatar and the UAE particularly endorsed the dialogue proposal in their joint communiqués. Qatar, in particular, made the issue clear in an interview in the Paris-based daily *Le Monde* the preceding week. Sheikh al Khalifa stressed in the interview that the special relationship between France and the region would best be concretized through massive transfer of technology. Security in the Gulf, the ruler stressed, is not merely guaranteed through military aid, but primarily through meeting the needs of the local populations for economic development.

The United Arab Emirates, according to *Le Figaro*, has been "playing the French card for some time." Their communiqué stressed the same points as those of Kuwait and Bahrein, including the quite important bilateral deals on matters of oil refineries, joint industrial ventures, and security agreements. The UAE, for example, invited French war vessels into the region some time ago to counterbalance the Soviet and American presence in the Strait of Hormuz, reported *Le Figaro*.

Perhaps the most important of the bilateral relations was the gesture made by Kuwait and Bahrein, traditionally two states under the "British sphere of influence." Kuwait, which had deliberately decreased its oil deliveries to British Petroleum only one month ago, decided to

authorize the French oil companies, Compagnie Francaises des Petroles (CFP) and Elf-Erap, to immediately open offices in Kuwait, while direct state-to-state oil deals were being signed with Giraude, the French industry minister who accompanied the President. Bahrein, also a British offshore "fiefdom," asked for direct French investments.

A Middle East 'Helsinki'?

Unnoticed by most international media has been the parallel initiative from Iraq to transform the region stretching from the Mediterranean to the Indian Ocean into a zone of peace, effectively free from foreign military presence. This was the content of an Iraqi proposal for a Pan-Arab Charter on the basis of which an Arab summit, attended by more than 15 countries, will be convened in the next two to three weeks.

This is more than a "parallel" initiative. Such a proposal from Iraq was in fact closely coordinated on one side with India and, on the other, with France, West Germany and Spain. Spanish Premier Suarez, during his visit to Baghdad, endorsed the Pan-Arab Charter aimed at settling the Afghanistan crisis in a nonaligned context. Like an earlier proposal from India, such a proposal has

Qatar leader: 'France for peace, for development'

Sheikh Khalifa, the leader of Qatar, gave an interview to the French daily Le Monde Mar. 2, in which he emphasized the great role France can assume in ensuring peace in the Middle East. The interview coincides with French President Valery Giscard d'Estaing's visit to the Gulf States, Bahrein, Qatar, the United Arab Emirates and Saudi Arabia.

Q: On the political level, what role could France play in the Gulf?

A: France has shown in several ways the role it could play in the service of peace and international security in general, as well as for the security of our region. It has shown this by persevering in its efforts to favor continued understanding ('entente') between the two big powers, by contributing in appeasing tensions in international relations, by launching a positive appeal in favor of non-intervention in the internal affairs of

nations, by practicing a policy of dialogue and cooperation rather than one of defiance and confrontation, by expressing, finally, its will to keep the Gulf out of international conflicts, in the interest of the whole world.

Q: Can France bring a contribution in other domains?

A: The special sympathy manifested by France towards the Third World could realize itself by a transfer of technology. That could no doubt reinforce cooperation and favor common interest and joint investments in the economic and industrial domain between France and the Gulf countries.

Q: How do you envision the security of the Gulf?

A: The dangers threatening our region come from abroad and result from the avidity of the big powers and their attempts to embroil us in their conflicts, while the best guarantee for us is to remain outside of all those conflicts. All the countries in the region are convinced of this, and similarly, they are convinced of the necessity to respect nonalignment and to refuse all foreign military forces or bases on their territory even if it is simple facilities.

received the support of all the Gulf countries Giscard visited.

As revealed by French sources, the Baghdad summit will then transform itself into a major forum of propaganda toward the realization of the dialogue. The Iraqis want that conference to establish "a bridge between the Middle East and Europe, based on the privileged relationship between France and Iraq." And the concrete gestures are already there. French sources are reporting that Iraq has increased its oil production to its maximum both to meet the needs of the international market, and to increase its financial surplus to invest in more and bigger industrial projects in "third countries." The Saudis, who have also agreed to such an overall approach, have been following such a policy and are stabilizing their production at 9.5 million barrels a day. But as visiting U.S. Secretary of Energy Duncan learned painfully, such a production level is not meant to be used for stockpiling. That was what Saudi Oil Minister Zaki Yamani bluntly told him, when Duncan asked for supplies for U.S. reserves. Duncan came back empty-handed to the U.S.A. But France, according to the Iraqi daily *Baghdad Observer*, was requested to deliver two nuclear power plants to Saudi Arabia; Giscard is not likely to return empty-handed.

The best guarantee of security resides in the great efforts we must deploy to satisfy the aspiration of our peoples towards progress and prosperity. Our objective must be the coordination of our common efforts in view of creating our own force, autonomous and in solidarity, the only capable of realizing those objectives....

Though we are convinced of the positive results of our efforts, we estimate that we are only at the beginning of our task and that we must still operate to realize all our hopes, notably to raise the standard of living of our citizens and to provide them the cultural and technological knowledge that will improve their future and that of their children. The objective of industrialization is to create, below oil production, light and heavy manufacturing industries. This global strategy and the preparation for the post-oil era have led to considerable efforts to diversify the national revenue by increasing industrial potential... We have striven to create basic heavy industries and complementary industries which constitute the infrastructure from which we will realize all future development. Starting this year we are envisioning great projects, notably the creation of a natural gas liquification factory, a refinery and light manufacturing industries.

An exclusive report

U.S. foreign policy: the view from Vienna

by Edith Hassman

For Austria, more than for any other country in Europe, East-West trade is a question of survival. Over 40 percent of its fossil fuel and electricity supplies are imported from Comecon countries, and the trade with those countries accounts for 13 percent of Austria's total foreign trade volume. The city of Vienna is therefore much more than merely the capital of 7 million Austrians. Vienna is the European capital of East-West trade, and in this function has attracted a large part of the international business community. The fact that Austria declared its neutrality in May 1955, after the last Soviet occupation forces had left the country, certainly facilitated this role.

Besides being a center for East-West trade, Vienna also plays a key role in North-South relations. Its old imperial buildings, dating back to the Habsburg Empire, and the newly built "U.N. City" are the location of many international organizations, like the International Atomic Energy Agency (IAEA), OPEC, and various United Nations organizations. There is a conscious policy behind this concentration on the part of the Austrian government: Different from the American public which tends to deprecate the United Nations as essentially a waste of time and money, Austria views its engagement in these international organizations as a crucial means of protecting the interests of the neutral and nonaligned countries against what is termed here "the sometimes brutal bilateralism" of the two superpowers.

In their opinion, that neither the United States nor the Soviet Union should be allowed to run the world on their own, the Austrians feel themselves confirmed once more by the current situation, where the conflict between Moscow and Washington threatens to engulf the whole world in a new Cold War or worse. Austrian Chancellor Bruno Kreisky, who visited India and Saudi Arabia after the Soviet invasion of Afghanistan, underlined repeatedly in the past weeks the responsibility of the nonaligned

and neutral countries in putting up a "third power" capable of safeguarding world peace.

Ironically, the Austrians on the other hand seem to know the limitations of the United Nations much better than the administration in Washington. During my visit in Vienna last week, public emotions were riding high because Kreisky had come out in public with a blasting criticism against the United Nations' handling of the hostage affair in Teheran. Kreisky bluntly stated that U.N. General Secretary Waldheim, a fellow Austrian, who set up the international commission of inquiry into the Shah's crimes, must have been extremely "naive" to believe the promises of the "mad mullahs" concerning an early release of the hostages.

Why Afghanistan?

The question I was asked most by my Austrian discussion partners is why the Carter administration raised such a racket over the Soviet invasion in Afghanistan, a country which many people here privately believe, has been for decades the "backyard" of Russia, just as the United States has been treating Latin America as its own "backyard."

Dr. Woschnagg, the head of the Information Department in the Austrian Foreign Ministry, put the problem in the following way. If someone wanted to raise his voice on Afghanistan, Woschnagg said in a conversation with *EIR*, he should have done so two years ago when Premier Daud was toppled by the pro-Soviet Taraki regime. In his opinion, Afghanistan has been a Soviet satellite ever since. With the signing of the "friendship and cooperation treaty" in September 1979, clause 4 of which served as the legal justification of the Soviet military invasion, that country virtually acquired the status of a Warsaw Pact country, he said.

Similar to the French government, Austria has distanced itself from the "punitive measures" President Carter introduced as a retaliation against the Soviet invasion. In an interview with the latest issue of *Stern* magazine Bruno Kreisky reiterated the Austrian refusal to participate in a boycott of the Olympic games in Moscow. "I hold the opinion that if you quarrel with the Soviet Union because of Afghanistan, you should fight it out on the political field, which is broad enough," he said. Kreisky also rejected the wheat embargo and economic sanctions as essentially inappropriate measures.

With such a "broad political solution" in mind, the chancellor was quite skeptical concerning the usefulness of the "Afghan neutralization" proposal introduced by British foreign secretary Lord Carrington and passed as a resolution of the European Economic Community recently, which is intended to serve as a "face-saving" formula for the U.S.S.R. He had no illusions, Kreisky told the Austrian daily *Die Presse*, that the Soviet troops



Austrian
Chancellor
Bruno
Kreisky

would only withdraw after an "extremely loyal government" had stabilized its position in Kabul.

Virtually all of Austria was upset about the fact that Lord Carrington had proposed the 'Austrian model' for the neutralization of Afghanistan. "Austria was not neutralized in 1955," Dr. Woschnagg said. Neutralization meant that there had to be guarantee powers who also have the right to intervene if they see that neutrality is threatened. "We declared our neutrality voluntarily, and nobody guarantees it." In the same context, an associate professor of the Institute for International Politics which was founded on Kreisky's initiative, explained the difference between Austria in the early 1950s and Afghanistan today: "When Austria declared its neutrality in 1955, it was an internally stable country, and there was stability on the European continent as a whole. In Afghanistan today, you have civil war in which a backward population fights against the reforms of a progressive, though Marxist regime. Secondly, the whole region there is destabilized, and tensions between the two superpowers are high." He thought that if an Islamic (fundamentalist) regime would consolidate its power in neighboring Iran, possibly with American help, a Soviet troop withdrawal from Afghanistan would become all the more unlikely.

Kreisky's pilot project

Speaking to *EIR*, Dr. Woschnagg regretted the fact that the propagandistic success for the West in the Afghanistan debate at the United Nations, where a majority of the assembly voted against the Soviet intervention, was "gambled away" by the industrialized countries at

the January conference of the "United Nations Industrial Development Organization" (UNIDO) in New Delhi. Had they been "more flexible" concerning Third World demands for economic development, he said, the underdeveloped sector could have been allied firmly to the West.

An alliance between the Western countries and the Third World, based not on arms deliveries but on economic development, certainly constitutes one leg of Kreisky's foreign "crisis management" policy. Too few details are known of it, though (for example, on possible parallels to the current French efforts) to make a comprehensive evaluation possible.

After the failure of the UNIDO conference, at which Kreisky had called on the Arab oil producers to finance Third World development, he told *Stern* magazine that "for the time being," in his opinion "only a few light-minded countries" can be won over to a quick and efficient development aid." Asked about the thrust of such an aid program, Kreisky said: "It makes no sense to only put up factories in the developing sector. We must build railways. This is how the Europeans discovered America. Besides that, we must build irrigation projects and telecommunication. I want to push through a pilot project..."

Interestingly enough, Austria was among the first countries to welcome the creation of the European Monetary System which has the potential to expand into a credit-expanding agency. At the same time, Kreisky like the French, know that Arab petrodollars are essential to a genuine development policy. But the key to the Arab treasures is called "Palestinian state."

Therefore, the second leg of Kreisky's policy, without which the first one can't walk, is a solution to the Middle East conflict, based on the withdrawal of Israel to the 1967 borders and the formation of a Palestinian state. In the interview with *Stern*, Kreisky went so far as to deny the Americans the right of calling for a Soviet troop withdrawal from Afghanistan, as long as they tolerate the Israeli occupation of Arab lands: "You cannot, on the one hand, demand that the Soviet troops must leave Afghanistan, and on the other hand, not demand that the Israeli troops should leave the West Bank."

Since his meeting with PLO leader Arafat last year, Kreisky has been the target for ferocious Israeli attacks, but this doesn't seem to bother him too much. In the *Stern* interview, Kreisky said that while Arafat has "an understanding for the existence of Israel," which makes peaceful coexistence possible, Menachem Begin "has no understanding at all for the realization of the national identity of the Palestinians."

The problem, however, as Dr. Woschnagg expressed it, is that in an American election year, no American president will dare to touch Israel.

Austrian politicians are generally willing—at least, for the public record—to attribute a good deal of the current ups and downs in the American foreign policy to the presidential campaign in the United States, and they miss no occasion to curse the institution of the primaries which make the campaign an affair of nearly a full year. Privately, however, they will tell you that the whole four-year record of the Carter administration has been a "complete disaster."

Concerning the Republican candidates, an Austrian who wants to be polite says that Ronald Reagan is "not known." A Viennese professor who knows Reagan's opponent George Bush from personal meetings in the United Nations, was so imaginative as to call George "an asshole," which becomes "orschloch" in good Viennese.

Thus, since none of the major candidates made a striking impression in Austria so far, for the Austrians looking at the United States it is a question of "expecting the unexpected."

Fear of Cold War

The Austrians, whose capital was the site of the summit meeting between President Carter and Soviet President Brezhnev last June, are amazed at how rapidly American-Soviet relations have deteriorated since then. The current uncertainty, whether the Cold War will escalate or not, is putting a lot of pressure on those economic analysts in the service of industries and banks whose job it is to predict the prospects of East-West trade.

An economist at the well-known Institute for International Economic Comparison in Vienna told me that even without the Cold War, there are enough problems in East-West trade which in the opinion of many economists can only be solved by extending East-West cooperation to the Third World. Two major conferences are planned for this year on three way cooperation between East, West, and South, one in May in Dubrovnik, Yugoslavia, and another one in October in Budapest, Hungary.

The only problem is that nobody knows if they will actually take place. A conference on Siberian development, organized by the Organization for International Economic Relations (IER) for Moscow was postponed by the Soviet side for one year. As of now, it is also still uncertain, if the annual session of the Vienna East-West Conference, which is organized by Jerman Gvishiani (Moscow), Olivier Giscard d'Estaing (Paris) and Prof. Stock (Vienna) will take place as scheduled on April 21 and 22. Jerman Gvishiani, the Deputy Chairman of the Soviet State Committee on Science and Technology, recently cancelled two speaking appointments in Hamburg and Stuttgart.

International Intelligence

EUROPE

Schmidt politely avoids endorsing Carter policies

West German Chancellor Helmut Schmidt, addressing a Washington luncheon of the Foreign Policy Association March 6, vowed "undying friendship" toward the United States and President Carter personally, but firmly refused to endorse any single Carter policy initiative. A day earlier Schmidt had met with the president for a series of discussions which West German press earlier billed as "giving the American President advice" on what to do about inflation.

At the March 6 luncheon, the Chancellor fielded questions from his audience read by moderator John Chancellor of NBC news. To a query concerning Carter's call for more general Western sanctions against the Soviet Union over the Afghanistan situation, Schmidt declined to commit Germany to any action of that sort, enumerating the importance of trade with the East bloc for his nation. He also said that the sanctions were not very much of an issue, because after all, the nations of the Western alliance were only in the "first phase" of discussing such action.

When asked whether he would boycott the Olympics as Carter has requested, Schmidt again refused to commit himself. "Now if what I have said is vague," he added, "if this sounds to you like I am being vague ... you are right. It is not meant to be a clearcut answer...."

At one point, Schmidt was asked if "uncertainty" characterized Jimmy Carter's relations to West Germany. In a response all the more biting for its diplomatic tones, Schmidt said that he would be more polite than the person who had asked the question by refusing to answer it. "I don't want to say anything impolite about my host."

Schmidt did indirectly take issue

with the American administration on the question of the Middle East. The Palestinian issue is the major threat to stability in the Persian Gulf, he stated, as most Arabs believe. The Camp David process having broken down, the West is now operating in the area a great handicap because it has yet to produce "an adequate global answer" to the Palestinian problem.

Italian ruling party near split in battle for government

The Italian Christian Democracy, the ruling party throughout the post war period, is nearing a split after this week's National Committee meeting reviewed the outcome of the recent party congress. Two sides have shaped up, one group gathered around former premier Giulio Andreotti and Benito Zaccagnini, with 42 percent of the party members' votes, and the other grouped around Amintore Fanfani and former foreign minister Forlani, which maintained its majority in support of the current government of Cossiga.

The Fanfani faction, with strong backing from Jesuit forces in the Catholic Church, forced through the election of its own forces to top party leadership positions. The Andreotti faction responded in unprecedented fashion, by abstaining from the vote completely, initiating what the Communist Party newspaper *Unità* termed an "all-out factional battle."

Observers say it is the first time in memory that a "back room compromise" has not been reached. The Andreotti-Zaccagnini forces refused to follow "normal mafioso procedure" by making a deal, instead waging a battle over political principles.

Against the Cossiga government's pro-Carter policies, Andreotti stands for a new Italian government allying with

France and West Germany in pursuit of detente and international monetary reform. That government, Andreotti has stated, will be a joint government with the Italian Communist Party—Italy's second largest.

The Andreotti faction now appears bent on a confrontation with the majority faction, with help from the Communists. *Unità*, the Communist paper, gave front-page headlines to Andreotti's speech at the Christian Democratic Congress, when he said that he had been "profoundly transformed" by his experience of collaboration with the Communist Party, and intends to continue that collaboration in the interests of Italian stability and world peace.

MIDDLE EAST

Iraq calls Arab economic summit

Iraqi President Saddam Hussein said this week that Iraq had received backing from most Arab states, including Saudi Arabia, for the convening of an Arab economic summit within two to three weeks, to be held in Amman. The summit will discuss Iraq's call for a Pan-Arab Charter to strengthen the Arab world's neutrality and nonalignment.

In an interview published in Beirut, Hussein said, "Iraq wants a strong Arab nation. It wants Yemen, for instance, to be on a par with Iraq, and Iraq and Saudi Arabia to be on a par with the 15 most advanced countries in the world." The Iraqi president stressed the singular importance of economic development: "The confrontation with Israel is a cultural one. What the Zionist entity fears is a scientific mind and an economic base behind the tank and a scientific and cultural base behind the gun and the plane."

Briefly

He added, "The Zionist enemy has sabotaged Lebanon because it is an example of an advanced Arab state that constitutes a cultural challenge to Israel."

So far, Morocco, Algeria, Tunisia, Libya, Jordan, Saudi Arabia, Kuwait, Qatar, Bahrain, the United Arab Emirates, Yemen, the PLO, and the Arab League have endorsed Iraq's call. Syria, and its protectorate Lebanon, have not, and the Camp David party—Egypt, Sudan, and Oman—will not attend.

The Iraqi summit, according to the French press, has been closely coordinated with the ongoing French diplomacy in the Middle East, and Baghdad expects to serve as a "bridge between Europe and the Arab world," said *Le Figaro*.

Hard line to emerge from Israeli cabinet

Israeli foreign policy will undergo a decisive hardening in the next days following the March 6 agreement by the Liberal Party component of the ruling Likud coalition to support Yitzhak Shamir as Israel's Foreign Minister. Shamir, the man appointed by Prime Minister Menachem Begin to succeed the pragmatist Moshe Dayan, is a former assassination expert of the 1940s extremist Stern Gang who can be expected to push a no-compromise line on Israel's occupation policy toward the West Bank.

As Shamir's appointment is firmed up, Israel has announced that it will increase the budget amounts earmarked for the expansion of settlements in the West Bank; most of these settlements are inhabited by the Gush Emunim movement. This is creating a new political crisis in Israel, since simultaneously the budget as a whole is being slashed by 6 percent. Israel's austerity czar, Finance Minister Yigal Hurwitz, is trying

to sweeten the bitter pill of austerity by stating that the recent re-naming of the Israeli currency, now the "shekel," will "reinforce the population's connection to our biblical past."

The victims of the austerity are not buying this. Twenty thousand farmers this week tried to storm the Israeli Knesset in protest against the country's 111 percent inflation rate. Signs were carried reading, "We are starving to death." Knesset sources called it the "biggest and wildest" demonstration the country had ever seen. Calls were issued for the firing of Agricultural Minister Ariel Sharon, who was accused of diverting funds originally earmarked for agriculture to building up the West Bank settlements.

Saudi Arabia launches regional development push

The kinds of historical breakthroughs being achieved by French President Giscard during his current swing through the Arab Gulf are seen in the newly announced plans of Saudi Arabia, France's key ally in the region, to launch an unprecedented drive for economic development.

The Saudis have revealed that, contrary to reports that they were cutting back on their five-year development program, they are *doubling* that program to a capital investment level of \$270 billion, including large-scale city-building programs centered around petrochemicals, pipelines, and oil refineries.

Twenty billion dollars is being invested solely in expanding oil-production capacity to reach an immediate level of 10.5 million barrels per day, a one million rise over current levels. Together with new announcements of production rises by Iraq, this Saudi increase will give the two countries, in combination, one-half of total OPEC exports by the end of this year.

● **YIGAL ALLON**, the former Israeli deputy prime minister who died last week, told the Egyptian Defense Minister Hassan Ali two days before his death that Israel does not need its settlements on the West Bank. "There is no reason for Israeli settlements in the West Bank and Gaza," said Allon. "They have no military significance, and they do not provide Israel with security." Allon repeated his remarks in speeches to the Knesset, Israel's parliament, and to Jerusalem University.

● **OPIUM** has become the leading export of Ayatollah Khomeini's Iran, reports the *New York Post*. When Iranian production and export of opium is combined with those of Afghanistan up to the point of the Soviet invasion, and Pakistan, another "Islamic fundamentalist" ruled nation, the volume dwarfs the drug output of even Asia's "Golden Triangle" region. Compared to an estimated 160 tons of opium produced in the Golden Triangle, the triangle of Afghanistan (300 tons), Pakistan (700 tons) and Iran (600 tons) currently produces a staggering 1,600 tons of raw opium.

● **AGA SHAHI**, Pakistan's foreign minister, told an audience in his country that the government had officially "conveyed to the U.S. that we are not interested in the aid package as proposed....He left the door open to the United States for a bigger aid package, but also to talks with the Soviet Union. "The Soviet Union," he said, "is capable of playing an important role in insuring peace and stability in our region ...". He said Pakistan "is determined not to allow itself to become a conduit for the flow of arms into Afghanistan," which one Asia hand called "a lie, but a very interesting lie."

Mandatory Fed membership approved.

After months of interhouse disagreements, a House-Senate conference committee has tentatively agreed to demand that large banks and savings and loan associations, mutual savings banks and other depository institutions join the Federal Reserve Board and meet reserve requirements for the first time. While the Federal Reserve Board will pay interest on reserves for the first time, as a sweetener to mandatory membership, the legislation will vastly increase the Fed's ability to control the nation's money supply.

The legislation, pushed by Federal Reserve Board chairman Paul Volcker comes in reaction to the flight of banks out of the Federal Reserve System because of the increasingly unsettled economic picture and the drain thereby placed on banks by the need to hold reserves. Volcker's response has been to unsettle the economy even more with historically high interest rates and simply demand mandatory membership of major banks.

The House passed mandatory membership legislation last fall, but the Senate, led by Republican Banking Committee members Jake Garn (Ut.) and John Tower (Tx.) and with the backing of major banking associations in the country fought that approach and urged maintenance of the voluntary membership approach. They argued that blanket requirements on large banks to join the Fed destroys the notion of dual banking; that is, banking based on an individual banks decision as to whether to become federally chartered (and place

reserves in the Fed) or to remain a state chartered institution without the benefits and responsibilities of Fed membership.

While mandatory membership supporter and Senate Banking Committee chairman William Proxmire had been unable to force mandatory membership through the Senate committee, the combination of Proxmire and House Banking Committee chairman Henry Reuss (D-Wi.) proved too much for Tower, Garn and their supporters, and the mandatory membership "compromise" was reached on March 4.

The conference committee is still working on another crucial component of the legislation—phasing out the interest-rate ceiling and the differential between commercial bank held savings and savings and loan held savings accounts, known as Regulation Q. The higher half-percentage point differential in interest rates which savings and loans have been able to grant on savings accounts has allowed them to attract the large savings base upon which the home mortgage market is based.

The House, unlike the Senate, had initially resisted phasing out Regulation Q, but recently adopted a policy of phasing it out over a 5-year period. Some form of phase-out is now certain.

Demands to cut budget crescendo

From key Democratic committee chairmen to the Republican leadership of the House of Representatives, balancing the budget has become the cure-all solution to

spiraling inflation. In response to White House counsel Lloyd Cutler's testimony on March 3 that the administration intends to cut another \$20 billion from the budget, House Ways and Means Committee chairman Al Ullman (D-Or.) reacted with skepticism. Ullman said that the current budget is "unacceptable to the American people. I question whether the administration fully understands the need for prompt action to curb inflation." House Budget Committee chairman, Robert Giamo (D-Ri) has added his voice, surprisingly, to those calling for a balanced budget this year.

Meanwhile, the entire House Republican leadership has come up with a unanimous call for the submission of a comprehensive alternative Republican budget. In a "dear Republican colleague" letter circulated on Feb. 28, the leadership said "this year, more than ever it is essential that our party be united behind one budget substitute which will restrain the growth of federal spending." Republican House members are currently in drafting sessions to come up with the specific alternative.

Shortly after circulating the "dear colleague" letter the House Republicans sent a letter to President Carter which defended the policies of the Federal Reserve Board and urged more austere measures, "by default, the entire burden of fighting inflation has fallen on the Federal Reserve and the growing tax-paying men and women of America...because you have prudently ruled out the imposition of wage and price controls, the only viable, meaningful alternative presently open to you is to

revise your fiscal year 1981 budget so it is balanced—balanced not by further increasing the already record tax burden on the economy, but by slowing the growth of non-defense spending in every area of the budget.”

Urban-based Democratic congressmen are reporting that the balanced budget tide is so strong, that they will have difficulties fighting for even basic programs which directly effect their own constituencies.

Nuclear budget early victim of budget cutting

Falling prey to the budget-cutting mania sweeping Washington, pronuclear congressmen appear to be conceding early defeat on defending front-line nuclear research and development projects in the 1981 Department of Energy budget. At hearings of the Energy Research and Production Subcommittee of the House Science and Technology Committee on March 4, ranking Republican John Wydler of New York told industry representatives that “industry can’t assume that we can hold any program intact at this point, that’s what it is coming to.”

Wydler was referring in particular to four advanced research projects which are “zero-line-items” in the 1981 budget; that is, they are not funded. The four are the Clinch River fast breeder reactor, the high temperature gas reactor, the gas cooled fast breeder reactor, and the Barnwell reprocessing plant, the termination of which Wydler singled out as “an American tragedy.” Wydler pointed out

that the administration has intentionally cut funding for these projects in the past, knowing that the Congress would put funds back in. But this year, Wydler, who has been one of the staunchest supporters of the nuclear program on Capitol Hill, said that with even further budget cuts due from the administration, “the committee does not have it in its power to save all the programs.”

Compromise reached on synfuels bill

The key bottleneck to final resolution of the congressional impasse over the creation of a synthetic fuels industry was broken on March 4 when the House-Senate Conference Committee agreed on the nature of the agency to be set up. The conferees, by a unanimous vote, decided to create a seven-member synthetic fuels corporation to finance an initial \$20 billion program to manufacture such products as oil and gas from coal, and oil from shale rock.

The corporation, which could be operational in less than a year, would have financing authority to promote synthetic fuels, including loans and loan guarantees, purchasing agreements and price agreements as well as bring the government directly into the manufacture of synfuels. After the new technologies are tested under the first 4-year phase of the \$20 billion program, the corporation could spend as much as \$68 billion to finance the actual commercialization of the technologies.

The point of difference between the Senate and the House was over

the role of the Department of Defense in the management of the program. The House bill, which was the original bill passed last summer, gave the authority to provide purchase and loan guarantees to the Defense Department, for national security reasons. The Senate version was much closer to what Carter wanted, in that it set into motion an entire new corporation with much broader financing authority. Under the compromise, the Defense Department will oversee the program until the corporation is in place. Then the DOD will shift into a “stand-by” position taking over again only in times of national emergency.

While the Conference Committee still has many details to work out, Carter has been given a boost by the action. Sen. Pete Dominici (R-NM) said “we’ve broken a big bottleneck.”

House rubberstamps vote fraud

In a straight party-line vote on March 3, the House of Representatives dismissed the election challenge of Republican Jimmy Wilson against Louisiana Rep. Claude (Buddy) Leach. House Republicans pointed out that Louisiana courts have sent over 20 people to jail in a vote buying scheme which the court itself admits could have changed the outcome of the election. Republicans demanded that the House Administration Committee continue to investigate the case against Leach. The Democrats weakly argued that Leach himself had been cleared in court of any wrongdoing.

National News

U.S. press lying about Afghanistan, says IPS director

The American press and government officials are doing a good deal of lying about what is happening in Afghanistan, says Fred Halliday, writing "On Afghanistan, with Skepticism" from London. "The first casualty of war is always truth..." he states, after reviewing the facts, and comparing U.S. reports.

Halliday is assistant European director of the Transnational Institute, Amsterdam, the international affiliate of the Institute for Policy Studies (IPS) in Washington, D.C.

"Reporting in the American press has exaggerated the overall level of Afghan opposition to the Soviet intervention, the degree to which the Afghan Army has collapsed, and the offensive capacities of the rebels," he declares flatly. There may be some bloody fighting after the snow melts, continues Halliday, and there have been protests in Kabul. "But ... we should be a bit skeptical of the claims put out by Afghan rebel sources or by the 'reliable sources in Kabul' on whose say-so much reporting is based."

"A revealing article by a British journalist ... related how U.S. Embassy officials providing briefings in Kabul were systematically fabricating stories about Soviet casualties. Then there is Zia Nasri, an Afghan rebel leader who recently arrived in the United States, has stressed that newfound 'unity' of the Afghan rebel groups has more to do with the prospects of Saudi funding than with any real harmony.

"... The exile leaders do not control tribal forces active in the country and ... many of the rebels are concerned about loot rather than a sustained military campaign. ... Western reporters have as a whole been more than reticent about the training given to Afghan rebels in a number of Pakistani military

camp both by Pakistani and to a lesser extent Chinese personnel, while giving too much credence to the disintegration of the Afghan Army. It is worth pointing out that it was the Afghan Army more than the Russians that was patrolling the streets" in Kabul during the protests, says Halliday.

He concludes, "The Moslem world's main concern remains not Afghanistan but Palestine, and if America is serious about guaranteeing uninterrupted ties with the oil producers, then it would be better advised to exert its influence upon Israel to bring about an acceptable solution of the Arab-Israel dispute, namely a two-state solution.

"Many of the basic premises of current American foreign policy thinking are therefore rather questionable. They amount to official wheel-spinning and are no substitute for an informed, realistic assessment of the international situation facing the United States."

Vance: "Detente is still a possibility"

The United States will not lift sanctions or rescind its boycott of the Moscow Summer Olympics until the Soviet Union leaves Afghanistan, but "some cooperation" and detente are still possible, despite strained relations between the superpowers. That was the message of U.S. Secretary of State Cyrus Vance, who addressed the Chicago Council on Foreign Relations March 5.

The *Baltimore Sun* reported that "Mr. Vance appeared to define U.S. policy more precisely than any U.S. official has done since the Soviet invasion on December 25. It amounted to both warning and reassurance to Americans and U.S. allies.

Vance said the U.S. must impose a "heavy price for aggression," but at the same time, "We seek no return to the Cold War, to the indiscriminate confrontation of earlier times." Vance appeared to direct most of his remarks to Europe, where America's NATO allies

have almost universally rejected Carter administration "hard line" reactions to the Soviet action in western Asia.

"We are not asking our allies to dismantle the framework of East-West relations," he said. "We do ask that they take measures designed to bring about the withdrawal of Soviet forces from Afghanistan and to deter the Soviets from new adventures. ... Detente cannot be divorced from deterrence."

The speech came on the eve of a visit by West German Chancellor Helmut Schmidt for talks at the White House. Schmidt has led much of Europe in refusing to impose economic sanctions against Moscow, and has not yet committed himself to boycotting the Olympics.

Kennedy: down in New Hampshire, sagging in Illinois

In the March 2 issue of the *Chicago Tribune*, political editor F. Richard Ciccone contributes a front-page lead article slugged "Kennedy Trailing Badly Here." Ciccone cites a recent poll showing Kennedy's support at about 17 percent in Illinois.

That indicates that Kennedy is doing significantly worse in Illinois than in New Hampshire. In the latter state's Feb. 26 primary election, the senator actually polled less than 24 percent of the Democratic votes cast, the falsely reported higher percentage of Kennedy votes there almost entirely gained as votes stolen for Kennedy by election officials now facing criminal charges in preparation.

The poorer support Kennedy is showing in the poll used by the *Tribune* is probably an accurate indicator. Chicago's Mayor, "Ayatollah" Jane Byrne is alienating larger portions of both the Cook County and down-state voters day by day. Not only is Mayor Byrne a product of the "Kennedy machine"; her public endorsement of the senator's

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presidential candidacy has hung Byrne's growing unpopularity around the Senator's neck, "like an albatross," as some put it locally.

Mayor Byrne was one of the nation's first backers of Kennedy's presidential bid. She first alienated state Democrats when, one day prior to Kennedy's formal declaration of candidacy, she forced the Cook County Democratic Party to commit its delegates to the Massachusetts senator. Under former Mayor Daley, Cook County delegates had always maximized their influence by going to the convention uncommitted.

LaRouche to Byrne: 'This has gone far enough'

Lyndon LaRouche, Democratic Party candidate for president, attacked Mayor Jane Byrne for her racist, anti-labor policies which have left 18 dead in Chicago over the course of a 21-day firemen's strike.

"I fully support the efforts of citizens' groups in Chicago to recall Mayor Jane Byrne from office," LaRouche stated. "Byrne has demonstrated in the course of this strike that she is morally and psychologically unfit to hold office.

"Her determination to destroy the firefighters' union, without any concern for the safety of the people of Chicago—especially minorities—has led to the deaths of 18 people, all of the minority-group members, most of them children. "This has gone far enough."

Tens of thousands of Chicago citizens have demonstrated that they fully agree with Mr. LaRouche's statements. This morning the *Chicago Defender*, the prestigious black daily newspaper, ran a banner headline, "Byrne: let them burn; 17 dead in 21 days." Their lead article blasted the mayor's actions. Within hours, another casualty was added to the toll.

Citizens for Chicago, a group which began a recall movement against Byrne

last December when she launched her first assault on city unions, reports that several hundred signatures per day are being gathered on recall petitions from firefighters alone.

Two days earlier, LaRouche called for Frank Muscare, the leader of Chicago firefighters, to be released from jail. "Muscare committed no crime. Yet he is in jail. Byrne has endangered the city by replacing trained firefighters with inexperienced, unqualified personnel."

LaRouche scored 18 percent in a presidential preference poll among the Lake County Young Democrats March 1.

House passes Nicaragua aid bill

The U.S. House of Representatives passed a \$75 million aid package for Nicaragua Feb. 27 including \$5 million in grants and \$70 million in loans. But amendments on the bill place strict conditions on the use of the money.

Among the stipulations are requirements that anything purchased with the aid money be bought from the United States; no money be dispersed to schools where Cuban teachers are employed; and that free elections must be held within a "reasonable time."

The Nicaraguan government has not yet stated whether it will accept the credits. In previous statements, members of the junta have made clear they will not accept any aid which places restrictions on the nation's sovereignty. But, of the \$2.5 billion originally projected as needed for recovery from the civil war, only \$500 million in loans or aid has been received.

Nicaragua was left devastated and its treasury penniless by former dictator Anastasio Somoza. It has been forced to maintain a relatively large armed force, due to the threat that Somoza forces might attempt to stage an invasion.

● **FROM THE TOP**, was the answer administration sources gave when asked where the decision was taken on the U.S. vote in favor of a United Nations resolution condemning Israeli settlements on the West Bank. The Security Council, thanks to the U.S. decision, voted unanimously against Israel for the first time. President Carter subsequently "apologized" saying it had been a mistake. But according to the sources, the State Department and special Mideast envoy Sol M. Linowitz had favored abstention, while Donald McHenry, U.N. Ambassador, appealed directly to the president for instructions to vote in favor. McHenry was successful, with Carter's "apology" a later capitulation to Zionist lobby pressures.

● **THE WHITE HOUSE** is adhering to an "anti-inflation" policy that has produced a nearly 20 percent inflation rate because administration officials are confident that the public doesn't know the difference, thanks to Carter's foreign policy. "There's no question we've benefited politically from what's happened in Iran and Afghanistan," said one presidential adviser. "One way we've been helped is that people aren't reading the financial pages so much."

● **JOHN CONNALLY** accused the Carter administration of "conning" the American people on the hostage situation in Iran and using it for his own political benefit. Connally, a Republican presidential candidate, made the statement March 3 in South Carolina. "You ask yourself in whose political benefit it is that the hostages stay imprisoned," Connally told a college audience. "They've been there a long time."

Trade Review

NEW DEALS

Cost	Principals	Project/Nature of Deal	Financing	Comment
\$1.6 bn	Singapore from Singapore/U.S.	A massive hotel-shopping complex will be built for Singapore's urban renewal authority. Singapore's Singapore Land will be development manager; Atlanta, Georgia's John Portman and Associates will be design consultant.		
\$1.5 bn to \$1 bn per year	Kuwait to France	Kuwait selling 14 million tons of oil on a state-to-state basis, to France. This will, for the first time, bypass the multinational oil companies.		
\$800 mn	Indonesia from Spain and Taiwan	Hebrides Enterprise, a consortium controlled by Union Explosivos Rio Tinto SA (Spain's leading petrochemical company) and China Petroleum Co. (Taiwan) will build a hydro cracker at Dumai in Central Sumatra in a joint venture with Pertamina (Indonesian-government-owned)	Taiwanese, Spanish, and Austrian banks, with government backing; and a Eurodollar loan by an American Express-led syndicate	Contract awarded
Over \$458 mn	Libya from Britain and others	A power and desalination plant will be built on Libya's Gulf of Sirte. Britain's Ewbank and Partners will be the consulting engineers		Consulting contract awarded
\$95 mn	Philippines from Germany and Japan	W. Germany's Maschinenfabrik Augsburg-Nuernberg (MAN) and Japan's Isuzu Motors will build diesel engine plants to start diesel industry in Philippines	MAN \$55 mn, Isuzu \$40 mn	Philippine government announcement of contract award
Cancelled: \$300 mn	Portugal from U.S.	Air Portugal (government-owned) cancels conditional order for five Lockheed TriStar 1011's because of Air Portugal's weak financial condition		Portuguese government decision