

# EIR

Executive Intelligence Review

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First-quarter downturn for U.S. economy  
Polish 'experiment' moves into danger zone  
The Texas victory against Abscam/Brilab

**The real story of the Iraq-Iran war:  
Nation-building versus the Dark Ages**



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# EIR

## From the Editor

The "Khomeini experiment" of bringing religious fundamentalism to state power, the British-intelligence-authored project of creating sacerdotal states throughout the Third World, has failed. Iraqi president Saddam Hussein can take the credit for fatally wounding this operation.

This is the conclusion of *EIR's* editor-in-chief Criton Zoakos in this week's Special Report, "The Real Story Behind the Iraq-Iran War: Nation-building versus the Dark Ages."

It is not on the battlefield as such that the Iraqi president has defeated the mad ayatollah. Rather, Iraq's military resistance to the Dark Ages policy represented by Khomeini has caused a reversal in the momentum with which fundamentalism was spreading throughout the Gulf region and the rest of the Third World.

Behind the Iraqi military effort against Iran is a clearly defined battle for the future of the nation-state; and in the wake of this battle an odd assortment of allied opponents has come together and thus expose the interests behind Khomeini's destruction of Iran. Israel's alliance with Libya against Iraq, and the Carter administration's backing of the nation that has committed acts of war against the United States, must force a rethinking of what is really at stake in this war. The traditional Arab-Israeli conflict has broken down, and the forces committed to deindustrializing the world have openly embraced to protect the Khomeini experiment.

I would also like to highlight our economic report on *EIR's* LaRouche-Riemann model projections for the U.S. economy in the first half of 1981.



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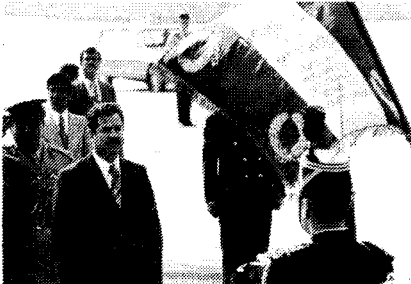
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Iraq's Saddam Hussein arriving in Paris on a 1975 state visit. Photo: AFP

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**Our alert readers** will have noticed that the U.S. did not really experience a boom in auto output during the Carter administration. In our Nov. 4 issue, the graph labeled Figure 4 on page 28 had its bars reversed due to a production error. It should have shown auto production dropping from 10 million in the fourth quarter of 1978 to less than 5 million in the third quarter of 1980.

# The issue of war or peace

The introduction of the issue of war or peace into the U.S. presidential campaign by the Carter camp was one of the most cynical ploys imaginable. In effect, it signaled the consummation of a Carter administration deal with the Soviet government to make the adoption of the SALT II treaty a major platform plank of the campaign, in exchange for Soviet support for the incumbent president.

The Soviets, of course, do not believe that Carter is a peace lover. They went through with the deal in order to buy time in preparation for what they consider to be an unavoidable world war.

The European nations, especially West Germany, which has publicly indicated its preference for Mr. Carter in the nominal interest of "world peace," should know better. For the moment, however, Europe has decided to take the cold-war rhetoric of Mr. Reagan and some of his advisers as an indication that he is a greater danger to their security than the "unpredictable" and quite insane Mr. Carter. The irony of all this posturing is that the outcome of the U.S. elections *will* in fact largely determine the chances for achieving world peace. And the chances are virtually nil if President Carter is reelected.

We base this judgment on the fundamental laws governing the interaction of economics and politics. The onset of a new world depression makes the outbreak of a new world war *inevitable*. Thus the only way to avoid such a war is to bring the world out of its rapid slide into economic depression.

Jimmy Carter is totally controlled by international oligarchical families and institutions who are consciously exacerbating the depression. He is committed to extending "painful sacrifice" in the United States. He has put the political weight of the U.S. government behind the International Monetary Fund and its prescriptions for the genocide of hundreds of millions in Africa, Asia, and Latin America. He has also joined with the government of Margaret Thatcher in demanding the de-

struction of the European economies.

With its policy of high-technology exports to the developing sector, and a new financial arrangement around the European Monetary System, Western Europe provided the only hope for turning around the depression. But for the moment this hope has been stymied.

The British-promoted destabilization of Poland has knocked the props out from under Helmut Schmidt's successful entente policy, a policy based primarily on economic cooperation between Eastern and Western Europe. Schmidt's key contact man in the East was Edward Gierak, and Gierak's absence makes a big difference. The weakening of Schmidt's links to the East limits his ability to strengthen the EMS against Washington's wishes. This has immediate repercussions for Giscard's France as well. Europe thus remains virtually paralyzed, at the mercy of a threatened oil cutoff and a Russian invasion of Poland.

We do not argue that Ronald Reagan is a man with economic policies that would foster world peace. One of the men who has emerged as Reagan's key advisers, Henry Kissinger, is the original architect of the Europe-bashing, IMF-reinforcing policies of the Carter administration. Others, like Milton Friedman, are notorious for their advocacy of monetary shock treatments that may well make the world depression irreversible.

The advantage to putting Mr. Reagan in the American White House is a negative one. A Reagan presidency means that the cynical Soviet-Carter deal is off. It means the opening of new possibilities in America's relations with Western Europe. It also means openings for a political fight within the United States.

If Carter is reelected, it will take very creative imagination to bring that economic policy debate to the fore. The pursuit of Billygate—the Carter alliance with terrorist Libya and Iran—before inauguration day may be our only effective option.



The EIR has warned for over five years that the decline in American industrial, scientific and moral strength would undermine the nation's military capabilities and security. Industrial weakness has led to deficiencies in military hardware, and the decline of scientific research and education has removed from American youth the moral desire to serve and fight for the country.

Now, the Executive Intelligence Review presents a full strategic assessment of the condition of the U.S. armed forces. How far has America fallen behind the Soviet Union? How severe is the manpower problem? What is the actual "surge" capability of the American economy for arms buildup? This and more in:

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## LaRouche-Riemann model projects first-quarter downturn for the U.S.

by David Goldman

*EIR* staff have conducted a computer-based simulation of the behavior of the American economy during the next three quarters, under conditions of rising inflation and sharply rising interest rates. The conclusion of this simulation, conducted Oct. 23 and 24, is that real output will fall steeply during the first quarter of 1981, comparable to, but not as steep as, the second-quarter 1980 downturn.

This projection takes into account the predictable effect of the Federal Reserve's mid-October decision to impose a global tightening of credit availability. The effects of the decision are already evident in the Oct. 29 rise in the prime lending rate of money-center commercial banks to 14½ percent, and the spectacular rise in both short-term Treasury bill and short-term Eurodollar rates. In contrast to previous recessions, the corporate sector has not been able to improve its balance-sheet liquidity position. *EIR* has emphasized the state of illiquidity of the corporate sector is such that the debt-servicing requirements of industry are themselves sufficient to generate "excessive" new credit demand.

However, an important factor in the Federal Reserve's interest-rate stance involves the terms of financing of next year's \$120 billion-plus deficit of non-oil developing countries and deficit industrial countries.

As we report elsewhere in this issue, the Federal Reserve has determined to take a hawkish line on international lending in order to more strongly make the point it failed to put across at the International Monetary

Fund Annual Meeting in Washington, D.C. at the beginning of October. The concern of the American (and also British) monetary authorities is that international lenders, especially the Europeans and Japanese, will undermine the IMF's authority by continuing to finance such debtors as Brazil and South Korea. The United States and the IMF staff insist that the IMF must become the arbiter of all international credit, through IMF conditionality, IMF direct market borrowing to finance a much greater volume of loans (so-called cofinancing with the private sector), and other means. This position made no progress at the Washington meeting. The response of the Federal Reserve is to attempt to tighten international credit conditions to bring noncomplying lenders and debtors to heel.

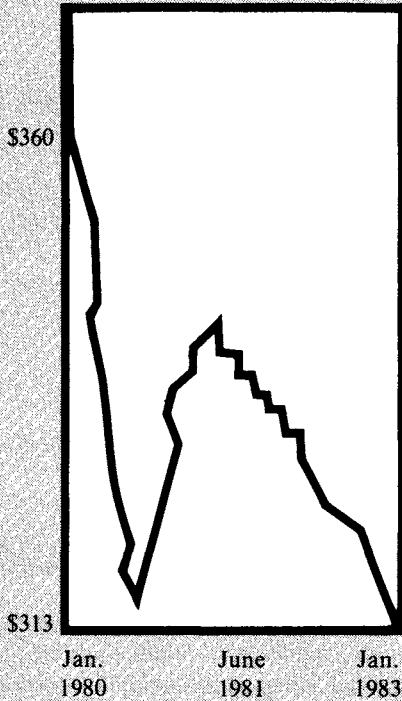
*The bottom line is a prime rate above 16 percent by year end, and a high interest-rate level even if the economy dips off sharply. Federal Reserve officials, in order to make the political point more strongly, have departed from usual practice to telegraph their actions in advance. The formula for interest rates they cited in conversations with *EIR* is the rate of inflation plus 2 or 3 percent. That scenario constitutes a new input into our basic forecast.*

### Projected results

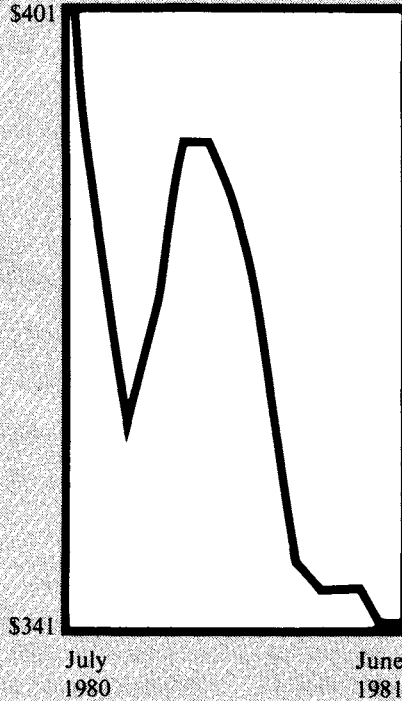
The earlier forecast *EIR* published Sept. 2 took into account domestic economic conditions and foreign economic conditions only as they affected American trade. The assumptions behind the forecast can be summarized



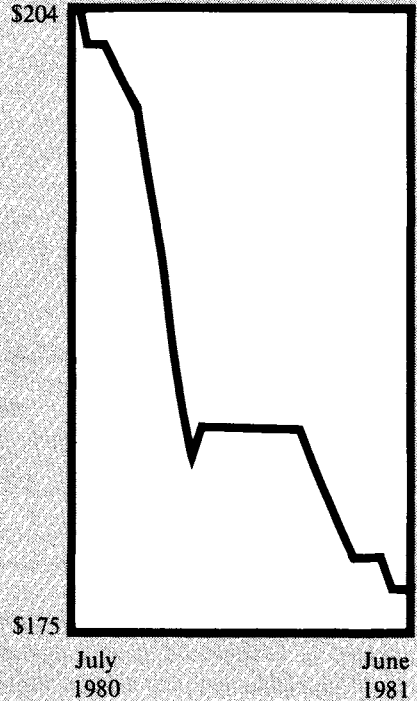
**Figure 1**  
**Total economic surplus**  
 Billions of 1972 constant dollars



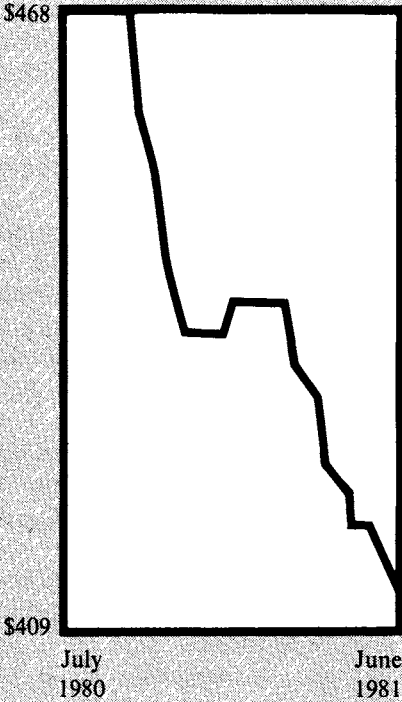
**Figure 2**  
**Tangible surplus production**  
 Billions of 1972 constant dollars



**Figure 3**  
**Variable capital**  
 Billions of 1972 constant dollars



**Figure 4**  
**Circulating capital**  
 Billions of 1972 constant dollars



**Figure 5**  
**Net investible surplus**  
 Billions of 1972 constant dollars



**Figure 6**  
**Free energy ratio**

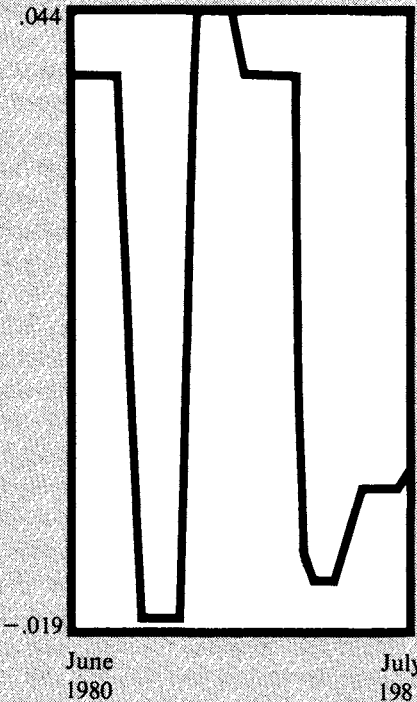
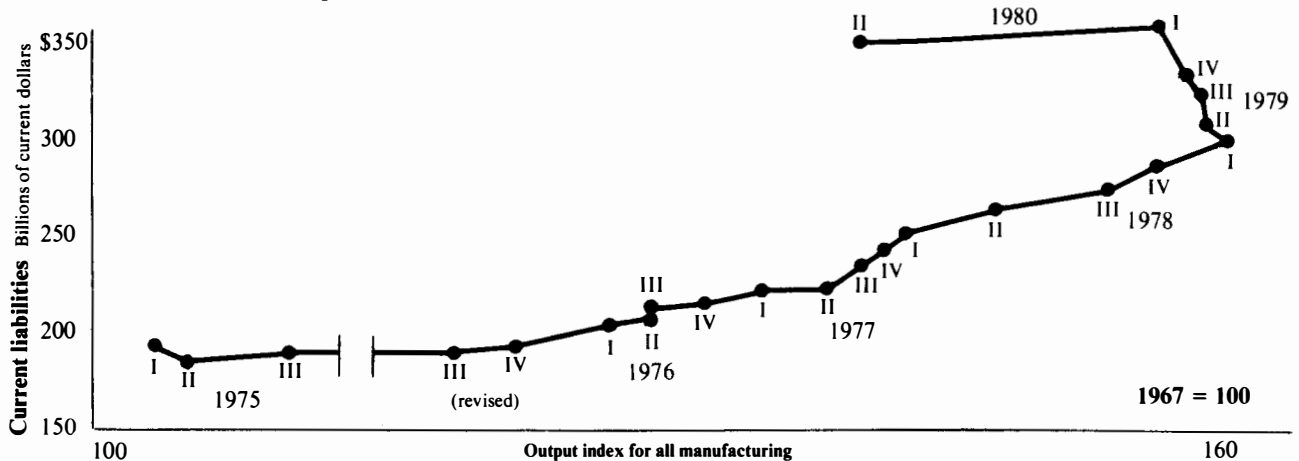


Figure 7

Ratio of debt to nondeflated output



Source: Federal Trade Commission, Federal Reserve Board

as follows. The LaRouche-Riemann model interprets the economy as a thermodynamic system, measuring variables of tangible output in the same way that a scientist would measure the temperature, pressure, and volume of a diesel engine. The model, rather than using the conventional definition of labor productivity, measures the work accomplished by a given volume of labor through a physical medium, the capital stock at a specific productivity. The model's productivity measure is the ratio of tangible output net of capital and labor maintenance costs, or "surplus," to labor inputs.

In physical terms, the second-quarter 1980 downturn provided the economy with a one-shot, temporary increase in productivity, i.e., a decline in real wages. Although the trend productivity of the economy continued to decline due to obsolescence and deterioration of the capital stock, the decline in real wages momentarily increased the apparent productivity of the economy faster than the underlying productivity fell. On the basis of these measurements, the model indicated a stabilization for the remainder of this year, followed by a further downturn in second-to-third quarter 1981 after the impetus of this "false" rise in productivity gave out.

Reproduced below, our original projection for *tangible economic surplus* (Figure 1) shows the same basic trend as the graph for *tangible economic surplus* produced during the Oct. 24 simulation (Figure 2). The actual third-quarter restabilization occurred more quickly than our original forecast had indicated, and the new forecast shows the "double dip" of this recession occurring earlier. However, the forecast is not dramatically changed from our earlier estimates.

As we have emphasized in the past, the LaRouche-Riemann model is an "underdetermined" system, in which political and other exogenous variables (such as sharp changes in the price of oil) must be entered by the user. Therefore, the model's forecasts are a combination of the computer-based capability to measure the interaction of the physical-system variables and the user's political assumptions. In the past year, the validity of the physical system analysis has been demonstrated through the only successful forecast of the first-half 1980 decline in output conducted on any of the computer models (see Economic Survey, Sept. 2).

Figure 2, or *tangible surplus production*, shows a drop of gross surplus from \$387 billion at the end of 1980 to \$341 billion by the second half of 1981.

Figure 3, or *variable capital* (net input of blue collar labor) shows a stabilization after the sharp second-quarter 1980 decline, followed by a further sharp decline at the end of the first quarter of 1981. Measured in terms of tangible consumer goods allocation, variable capital falls from about \$185 billion to about \$174 billion, in constant 1972 dollars.

Industrial consumption of raw materials, or *circulating capital* (Figure 4), falls from about \$468 billion to \$410 billion in constant 1972 dollars between fourth-quarter 1980 and second-quarter 1981.

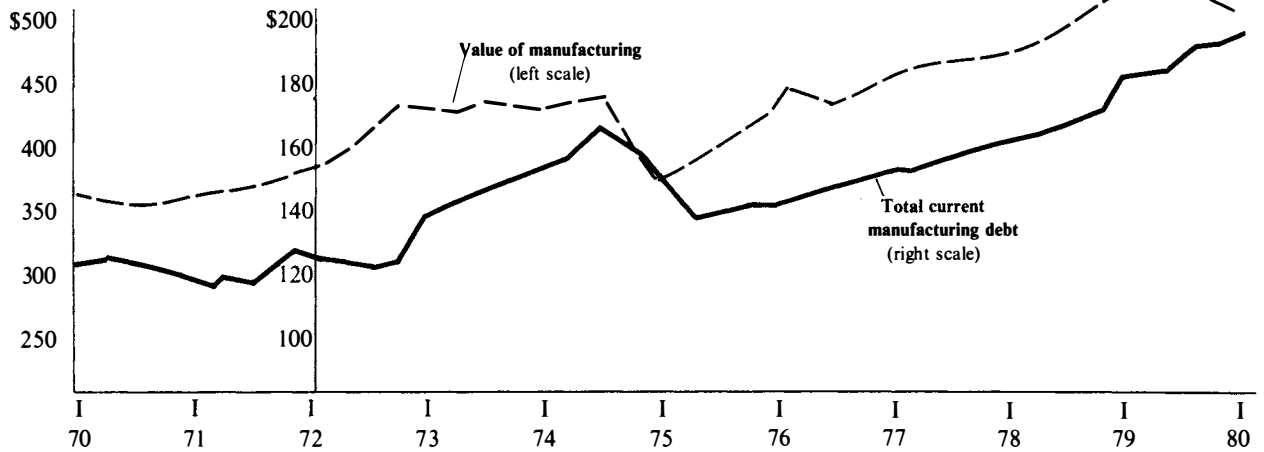
*Net investible surplus* (Figure 5), or the portion of surplus net of economic overhead expenses (education, health, military, service industry), falls from \$27 billion—barely above the zero mark—to about \$10 billion in the red during the first quarter of 1981.

The economy's key ratio in terms of the LaRouche-

**Figure 8**

**Manufacturing output and liabilities**

Billions of 1972 constant dollars

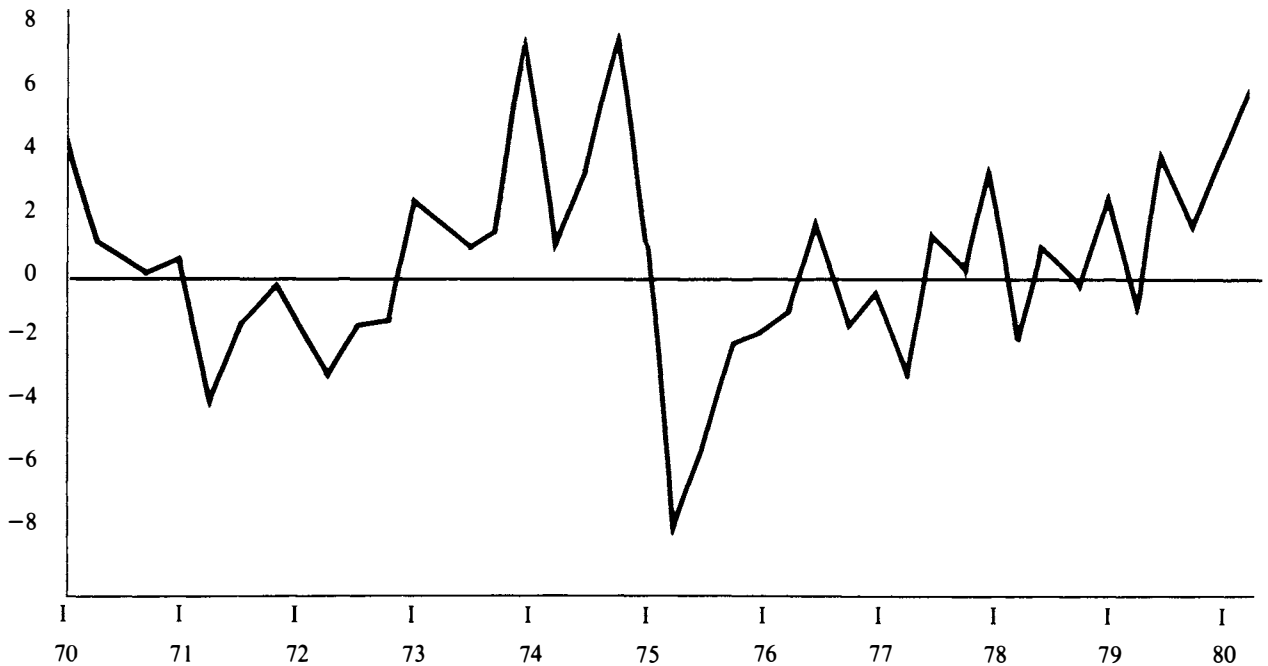


Source: Federal Trade Commission, Federal Reserve Board

**Figure 9**

**Excess growth of debt compared to output**

(Percent growth of deflated current liabilities minus percent growth of output, 1970-1980)



Source: Federal Trade Commission, Federal Reserve Board

Riemann model, the potential growth rate or *free energy ratio* (Figure 6), falls from its best level of about 4 percent at the end of the third quarter of 1980 to a range of *negative 4 to negative 7* percent by the second quarter of 1981.

### The basis of our forecast

To simulate the economic effects of the expected additional margin of interest-rate increase, *EIR* employed a financial model of the American economy that interfaces with the LaRouche-Riemann physical system model. The financial model measures the change in interest rates, inflation, and credit flows associated with changes in output.

Figure 7, the debt-to-output ratio for manufacturing industry, makes clear the nature of the problem. Every productive-sector firm, and the productive sector as a whole, must pay out of gross revenues two categories of costs: expenditures for labor, intermediate goods, depreciation, and new investment; and overhead costs, including taxes, debt service, rent, and clerical salaries. The second group of overhead expenses is at best a deduction from industry's capacity to expand, and at worst a constraint on current output. Figure 7 gives a first-approximation picture of the present size of this constraint. In the six quarters preceding the second-quarter 1980 decline in output, debt first rose much faster than output, and then continued to rise sharply while output remained stagnant. At this point the curve becomes parallel to the vertical axis. In the second quarter, the Federal Reserve became alarmed at the rapid growth of credit and the accompanying 20 percent inflation rate, and introduced a 9 percent ceiling on growth of bank lending. Output then dropped sharply, while debt remained at the same plateau.

Unlike the 1974 recession, when inventory liquidation permitted corporations to reduce their short-term debt exposure, the level of debt was so high by mid-

1980 that no such paydown of debt could take place.

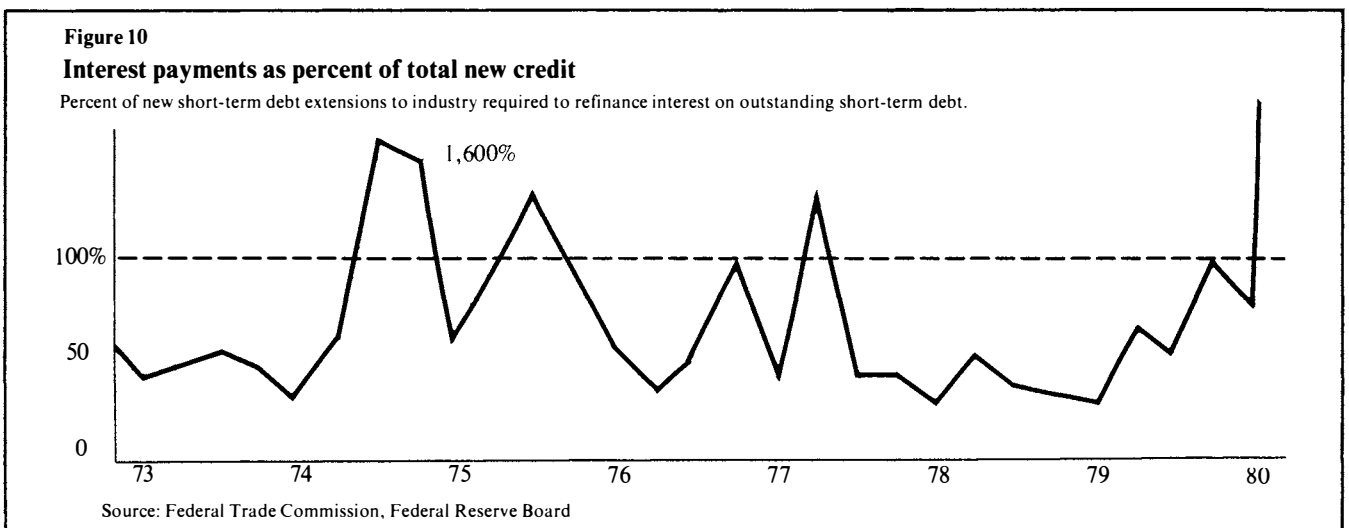
Figure 8 shows the same debt-to-output ratio, with debt adjusted by the GNP Implicit Deflator. Inflation-adjusted debt levels still rose sharply, indicating the extent to which taxes, rent, loss of operating income, and other factors constrained investment and even current output preceding the 1980 collapse.

Figure 9 displays the same data in a more usable format, plotting the percent increase in deflated debt *minus* the increase in deflated output. The results are striking: except for seasonal fluctuations, manufacturing industry has assumed debt only in proportion to its rise in output, *except* just prior to major recessions.

Figure 10 demonstrates the fashion in which debt-service costs provoke drops in output. It plots, in percentage terms, the ratio of current interest charges on outstanding short-term debt to total new short-term borrowings. Whenever this ratio exceeds 100 percent, indicated by the dotted line, industry is unable or unwilling to take on more short-term debt, and must find the cash to pay interest charges by reducing payments to the productive accounts (labor, intermediate goods, depreciation).

During the third quarter, short-term debt of industry rose by slightly over 20 percent per year. However, once the assumption of higher interest rates and higher inflation for the fourth quarter of 1980 and the first and second quarters of 1981 are taken into account, the financial model shows industry would require a 60 percent annual rate of short-term debt increase *merely to maintain existing output levels*.

*EIR's* political assumption is that the Federal Reserve will not permit that rate of new credit extension, and will choose to interdict the financing of the inflation component of this debt increase. This assumption was translated into an increase in nonproductive payments and programmed into the LaRouche-Riemann model, producing the results shown above.



# The Fed's battle plans against Western Europe and the Third World

*EIR* does not, as a matter of editorial practice, print unattributed interviews, but the following case is exceptional. The officer of the U.S. Federal Reserve who spoke with us off the record gave us a candid reading of the Fed's current views on interest rates, Third World debt, and the consequences of major country defaults. *EIR* did sufficient cross-checking with other Federal Reserve officials to determine that the content represents an official view rather than the individual's opinion.

Nonetheless, much of the content of the interview must be taken with a grain of salt. As *EIR* made clear last week, we do not believe that the "chicken game" that the Federal Reserve officer describes will work. On the contrary, we think the consequences will be entirely different than the Federal Reserve suspects. Contrary to the apparent elaborate contingency planning at the U.S. central bank, the possible default of Brazil on \$60 billion of external obligations may not be containable. The notion that the West German mark may fall to DM 2.25 to DM 2.50 to the dollar, from 1.8845 at the Oct. 29 close, is exotic. The value of this document is the insight it affords into the internal deliberations at the Fed, and the motivations for the most recent sharp increase in interest rates.

**Q:** What did New York Fed president Anthony Solomon mean in his speech this week by warning of "sudden shifts of funds" which could "trigger a new round of exchange controls"?

**A:** Nobody here in my department had any idea; we were especially surprised that he raised the issue of SDR substitution to deal with this supposed problem.

**Q:** I thought the SDR doesn't have a snowball's chance at the Bundesbank.

**A:** It could get melted in a lot of hells, try Congress. There is no consensus on this, not among central banks, not even here at the Fed, which is why we were shocked Solomon raised this. If anything, I would expect the use of SDRs as a numeraire to come much faster from the private sector. Citibank in London and elsewhere off-

shore is already issuing SDR-denominated CDs, SDR-denominated bonds are also being done, as are SDR loans.

**Q:** Why not an ECU market?

**A:** Precisely. They see the ECU bonds and so on coming, and this is for competitive reasons. The ECU doesn't include the dollar, and so the U.S. banks, for competitive reasons of getting in first, want to go with the SDR, and with their own asset, the dollar.

**Q:** What about the problem with Brazil refusing to go to the IMF and the rest of the Third World demanding political control there?

**A:** Brazil is bargaining hard on spreads and conditionality, they're playing hardball with the banks and the Fund. They're telling the banks that the loans have to be done their way, or else the game is up. They're threatening the world with disaster—but because they haven't got anything else to do. They want smaller spreads, and the banks are bitching to us already. What are we supposed to do as central bankers? If Citibank comes to us, we have to tell them, "Look, you made the loan, now what are you going to do? Are you going to roll it over at  $\frac{3}{8}$  percent over LIBOR as Brazil demands and cave in?" Brazil is simply not bankable at  $\frac{3}{8}$  percent spreads. The spreads have to be much, much wider, because the fact is that the risk of lending to Brazil and some of these other countries is escalating dramatically. I think that as supervisors we should rattle our cage a little. We should ask the banks if they're sure the risks don't demand much bigger spreads. Say twice, three times as wide as currently. Brazil's credit rating stinks, it rates a  $4\frac{1}{2}$  percent spread as far as I'm concerned. The banks may not want to demand as much as  $4\frac{1}{2}$  percent but they will get the point.

**Q:** But Delfim Netto said quite bluntly, to our magazine, and on several other occasions, that they simply will not pay these rates. What will happen then?

**A:** They'll be forced to pay the spreads because they're not bankable otherwise.

**Q:** And if they threaten to push it to a crisis?

**A:** They are not in good position. They can't drive us all off the cliff because they will be the worst hurt. Did Bunkie Hunt make money in the end? No, because Volcker went out to bankrupt him. The natural instinct of the central banks is that if Brazil tries to drive us off the cliff, we will make them pay, pay the whole cost. That's how it is done—the guy that screws up, like Franklin National or Penn Central, pays the whole cost, takes it on the chin, and the objective of the entire rest of the exercise is to protect the rest of the system at his expense. If there ever was a case to do this, Brazil is the case, the way they are behaving. We can't let them hold us hostage. What will they do, declare they won't pay their debts? They're dead forever if they do that and they know it.

The multinational banking system can absorb Brazil. If Brazil goes belly up, we can handle it. We've looked at the banks involved, all their assets and all their liabilities, in Brazil and otherwise, with great care. All the central banks and the BIS have done this, and they know that while the central banks may have to do a little financing to bridge a gap—the plans are all worked out. *Brazil can be isolated.* They'll have to take it on the chin. And they know it.

**Q:** In the real world, now, what's really going to happen?

**A:** Look, there is some disagreement between the central banks, not on whether we can let them hold us hostage, but on just how to deal with crises. Many central bankers, Volcker among them, subscribe to the Hy Minksi theory, that we need these periodic crises to show the continued existence of risk in the banking system. Others say we must create a system which is insured against such risk. That was Tony Solomon's point. He wants to build a system which is riskless. Work out controls on the Euro-markets in advance, macroeconomic controls on the bank lending system so that it would be impossible for a Brazil to get enough credit in the first place to be able to drive the ship off the cliff.

In the real world, Brazil is course a lot bigger than Bunkie Hunt. What Volcker will actually do when the chips are down I don't know. I know he will try to do what I said. Fortunately the chips aren't down quite yet. We aren't really taking this guy Delfim seriously. In fact the BIS is so sure of the fact that he would never push things to the brink that they think that the actual market risk of default is low enough that raising the spreads for Brazil another  $\frac{1}{4}$  percent or  $\frac{1}{2}$  percent may suffice. We'd like to see more, but the result will be that spread do go up, period.

**Q:** How can you be so sure that Brazil's French and German trading partners, who would like to continue selling Brazil the billions of dollars worth of nuclear

plants we refuse to sell them, would go along with Brazil taking the brunt? What if they decide to go in and finance Brazil, and let the Brazilians default only on dollar debt—throw the brunt instead of the U.S. dollar, issue ECU instruments as you said they plan to do?

**A:** Look, if Brazil goes belly up, Dresdner Bank goes belly up, I don't care what currency their reserves are in, they have plenty of Brazilian paper, dollar and otherwise. And why should you think people would want to hold onto deutschemark assets? The DM is in trouble. The Germans have come to the end of the economic miracle. The mark is in trouble, and the market knows it. It's a brave new world for them.

They are up against the same rate of technological productivity being widely available in countries with much lower wage rates.

We have been told just this in a series of eloquent lectures by Franz Schoel, the Foreign Department chief of the Bundesbank. He says that Germany is in trouble, it was a wonderful 30 years but now it's all over. Inflation is out of control. He's worried about a run on the mark. In fact he predicted last winter what is happening now. And the market knows all this. If Germany had a  $2\frac{1}{4}$  or a  $2\frac{1}{2}$  DM rate, it would be OK—then they'd have a fighting chance on exports.

**Q:** So the Fed and the Bank of England will continue to keep interest rates high, no matter what the result on the European currencies?

**A:** We must have real rates of return on investment, whatever that means for interest rates, of at least 2 to 3 percent above inflation. If inflation is 12 percent now, then the prime should be where it is, 14 percent, and move depending on inflation, maybe 15 percent.

Some Brits are worried. They've run into some trouble on the amount of flows they've generated into Euro-sterling. I mean three- to six-month bank deposits, not bonds, there has been more than a few billion over the last couple of months. They didn't expect it, and now that sterling has no controls, they are vulnerable if interest rates fall. So some are worried, but the Bank of England is not ready for controls. They will just maintain a steady grip on interest rates.

**Q:** And Schoel at the Bundesbank, he has no solution?

**A:** His solution is to place a lot of DM paper with the Saudis, who have picked up some \$5 billion worth so far this year, and cross himself, while introducing structural reforms in the economy.

**Q:** What if the Saudis went in on the ECU bailout of Brazil?

**A:** *That* would be a real problem. But they won't, why should they trade Brazilian paper for all their U.S. dollar paper? Or for marks?

## Reschedulings, defaults shape 1981

*Third World debt seems under control in the medium term, but short-term pressures are acute.*

The government of Sudan and five international commercial banks representing a larger number of creditors announced Oct. 28 that agreement had been reached on the first phase of a reorganization of \$600 million in Sudanese privately held debt. Since July, Turkey, Bolivia, and Nicaragua have also reached debt reorganization accords. The Turkish reorganization was the largest debt reorganization in history, involving rescheduling of payments on \$6 billion owed to governments and private banks.

American and British banking sources report that during 1981 they expect a rise in such reschedulings, as well as "controlled defaults" on Third World debt. Among the countries cited as slated for partial debt reorganization is Brazil, the world's largest debt holder, accounting for 16 percent of total debt owed.

Will such debt reorganizations have an adverse effect on international credit? Most international bankers will agree with the emphatic assertion voiced this week by a U.S. Treasury official involved in public debt reschedulings: "One of the beauties of the current financial system is its unlimited flexibility. . . it doesn't all have to be defaulted at once. I don't see anything getting out of control."

There are two different kinds of trends currently at work to force these debt reorganizations. To the extent that international financial officials say they are confident they

can iron out debt payment stoppages with their borrowers, they are only taking into account the medium-term or half, the picture. It is the recent, short-term developments, led by the renewed rise of dollar interest rates to the 14 to 16 percent range, which threatens to produce uncontrolled crises.

The interaction of medium- and short-term economic trends on Third World economies can be illustrated through two case examples: Peru and Brazil.

On the level of medium-term growth prospects, Brazil remains one of the best credit risks for international investors. Although its official debt will touch an astounding \$70 billion by 1981, the country has vast mineral wealth and a growing industrial sector. If Brazil implements its standing plans for nuclear power development, it will be able to generate sufficient wealth for debt repayment.

Brazil's problem is the rapid rise in debt service since 1979, when payments on interest and principal to banks jumped \$3 billion from the previous year to over \$6 billion. Every time dollar interest rates rise 1 percent, Brazilian debt service jumps \$600 million. In 1981, debt service alone could reach \$10 billion.

These debt service payments, issued on a half-yearly basis, work as a tax on the economy, producing periodic, serious cash-flow problems. One California creditor to

Brazil reported this week that some time during 1981, the Brazilian central bank will probably call in several hundred million dollars in loans due for rescheduling on a longer-term basis to reduce the cash drain.

As our interview with a Federal Reserve official documents (see p. 11), some New York and London forces are ready to knock Brazil off its feet through a merciless interest rate squeeze. The country is already paying over 16 percent on many categories of loans, compared to 10 to 12 percent a year and a half ago. If, as expected, U.S. interest rates stay at their current levels for the whole of 1981, the Brazilian rescheduling may have to be much larger than the under \$1 billion level bankers are confident they can handle.

The case of Peru documents the uglier side of international payments problems. In 1975, Peruvian borrowings jumped \$1.8 billion. By 1979, Peru suspended payments on a portion of its \$4 billion in commercial debts, which were then rolled over by a new medium-term loan. Unlike Brazil, Peru has not used these loans for domestic project investment. As it enters into a zero-growth economy, Peru is being cut off by international lenders.

In early October, Lloyds Bank chairman Sir Jeremy Morse stated in a speech in London that the number of countries for which lending will be "choked off" will also rise during 1981. One effect of "marginalizing" such economies is that it knocks them out of international trading relations, aggravating the already projected 2 percent downturn in world trade expected for 1981, and making the entire world debt load more vulnerable.

## 'Banking is the catalyst'

*Florida's Graham administration is deregulating the entire state economy through banking dereg.*

The state of Florida is becoming a case study in how banking deregulation can undermine an entire economy. Gov. Robert Graham has undertaken to deregulate the state's traditional agriculture, transport, construction, and other productive industries, in order to reduce their role and replace them with a "postindustrial" economy of light manufacturing for export.

"Banking is the catalyst for this kind of development," says Florida's bank comptroller, Gerald Lewis. Governor Graham himself describes it as "internationalization." As I reported in last week's column, Graham's liberalization of state banking laws since 1978 has flooded the state with 19 foreign and 24 New York and other U.S. multinational banks, who came in under the pretext of financing foreign trade, but who are also taking over local business.

To turn the state into the "Hong Kong of the Caribbean," Graham plans to bring in a flood of light industries.

"We emphasize our cheaper labor costs—we are going specifically after labor-intensive light industry," says Florida's industrial development director, Robert Williamson. "Florida is a right-to-work state. We emphasize that in discussions with new industry we're encouraging, we don't have any unions in these newer industries. And we have no state minimum wage law. Wages here are 15 per-

cent below the national average."

Graham's office lists as priorities pharmaceuticals, office machinery, computers, surgical equipment and medical technology, communications equipment, and some heavier industry such as aviation production and defense. Graham also seeks to turn Florida into the number-three TV and movie industry state.

The state is heavily concentrating the new industries in free trade zones, three of which now exist in Miami, Port Everglades, and Orlando, with two more being planned for Jacksonville and Panama City. In Port Everglades, for example, the new industry is truly the Hong Kong variety, consisting mostly of reassembly of imported auto parts, radio parts, and so on, and repackaging of goods imported piecemeal.

All this is for export to the new Latin American and other markets sought by the multinational banks coming in. "The basic idea of the foreign trade zone is to help Japanese radio manufacturers ship in their parts, assemble them cheaply, and sell them in South America cheaper than if they were assembled in Japan," Dick Brock, director of the state Commerce Trade Development Bureau, told *EIR*. The Miami zone is really a "shopping mart" consisting almost entirely of foreign goods brought in for cheap display and warehousing for re-export, Brock said.

Port Canaveral, for its part, has scrapped plans for a new oil refinery due to the recession, and is moving instead to become a major East Coast coal port, with a \$700 million investment plan for a 10-million-ton loading capacity by 1990. The coal will be for export and local power use. Canaveral is considering free trade zone plans.

The Graham administration has also moved to keep Florida's biggest real industrial development project, the Cross Florida Barge Canal, from being built at all, claiming it would harm the environment. On the boards since 1932, the canal would be a major spur of the Tennessee Tombigbee waterway of the Mississippi Valley. The canal would cut from Yankeetown on the Gulf Coast across the peninsula to Jacksonville, bringing all the trade of the Mississippi and Gulf across the northern half of the state, and revitalizing it tremendously. The project has been supported by local business, by a coalition of farmers led by the American Agriculture Movement, and by organized labor, led by the building trades.

Behind the canal's demise was Graham's crony Edward Ball. The owner and chairman of the Florida East Coast Railway, a competitor of the canal, Ball funded the environmentalist opponents of the project. Ball works closely with the Jacksonville mafia behind Graham described last week, which includes Billy Carter's Charter Oil and Barnett Banks of Jacksonville, a leading supporter of state banking deregulation.

Under Graham's Free Trade Zone, it will now be Ball's East Coast Railway which will transship coal across the peninsula to the new Port Canaveral export terminal.



## Why the price has declined

*A hostage deal, Soviet gold sales, and Middle East cash needs are not the main reasons.*

Several factors have contributed to the weakness of the gold price in the last two weeks: in my view, the factor of higher interest rates is by far the most important.

The first factor is the belief that the release of the hostages will lead to an easing of international tensions. (In actuality, if Carter were to obtain the release by agreeing to arm the Iranians, the Soviet Union might feel compelled to come into the war on the side of Iraq.) Although wrongheaded, this view is widely held and is helping depress the price.

Last week, Swiss customs statistics were released showing that the Soviets had delivered 25 tons of gold, worth more than \$480 million, to Zürich in September, the largest Soviet transfer to the Swiss market in nearly a year. This does not necessarily mean that all the Soviet gold was sold in Zürich last month—some of it could still be sitting in a Soviet bank account—but the figures do seem to indicate that the Soviets are stepping up their sales after a long period of inactivity. Speculation has mounted that the Soviets may need to sell more gold to obtain the hard currency to pay for grain imports.

But Bill Darby, a precious metals trader for ACLI Commodity Services in New York, cautions that the Soviets have only delivered about 43 tons to Switzerland so far this year, compared with 214 in 1979 and 401 in 1978. This level of

sales scarcely indicates that they are desperately short of hard currency.

Also tending to depress the market is the fact that some private Middle East investors have been switching out of gold bullion and gold futures into dollar-denominated instruments to capitalize on the strong dollar and higher U.S. rates.

There have also been repeated reports that the Iranian government has been selling gold to raise cash for arms purchases. *EIR* originally dismissed these rumors because we were informed that there was probably no need for Iran to sell its gold since it could obtain gold-collateralized loans from European banks. More recently, we were told by a gold market source that Iran is viewed as too great a credit risk by the banks and that the country was probably having to liquidate some of its gold—perhaps in direct arms-for-gold transactions.

More important than all the above considerations is the surge in U.S. rates. This has a twofold effect: first, it makes short-term, dollar-denominated instruments appear relatively more attractive compared with both other leading currencies and with gold, which yields no interest. Second, it increases costs for holders of commodity futures contracts, who typically invest on margin. At present interest levels, an investor who purchased a gold futures contract at \$600 an ounce would have to wait until the

gold price reached \$690 before he could realize a profit. Our sources indicate that the Carter administration is committed to high rates even in the face of deepening recession. (Reagan's top advisers are also committed to that policy.) This could mean that rates will remain in the double-digit range until the second quarter of 1981, at which point the threat of major bankruptcies could force the Fed to ease up as it did late last spring.

This tight credit regimen may mean that the gold price will remain quite flat for several more weeks or even months to come. Two types of developments could dramatically alter this prognosis: one would be a serious deterioration in East-West relations as a result of the bungling of the hostages issue or a Soviet invasion of Poland. The second would be an international banking crisis triggered by the tight-credit policy itself. Federal Reserve officials have already indicated that they are determined to drive Brazil to the International Monetary Fund, and are even willing to risk a default on its \$50 billion foreign debt—an event which could easily topple several major banks. Aside from these worst-case scenarios, gold is unlikely to fall below \$600, since this is the level at which European central banks have supported it in the past. The best strategy therefore, would be to maintain a portion of one's portfolio in gold as a hedge and take advantage of the opportunity to augment this "insurance policy" whenever the price dips close to \$600. Some of the big players appear to be already following this strategy: last week, when the price fell to \$630, substantial buying materialized from European institutional investors and Middle East interests.

## A verdict on the grain embargo

*One reason America's allies haven't supported it: the ban handed the multitis extra profits.*

In a confidential report prepared two weeks ago for the nine ambassadors of its executive commission, the European Community (EC) rudely proved the unreality of Jimmy Carter's January embargo on U.S. grain shipments to the U.S.S.R.

The report, prepared at the insistence of France, showed that since the embargo was announced, the U.S.S.R. imported twice as much grain as last year, and the total amount imported was the greatest since the 1972 U.S.-Soviet grain deal was signed.

Leaked just before U.S.-EC meetings, and accompanied by an announcement that France has resumed sales of barley to the Soviets, the EC document blasted Agriculture Secretary Bergland's claim to enjoy the "support and cooperation of the other exporting nations."

Since the embargo began, Soviet imports from nations other than the United States increased tenfold. Argentina has more than trebled its export of grain to the U.S.S.R., and sales to date indicate a doubling next year; Australia has multiplied its Soviet sales eleven times.

The most painful side of this fiasco has been the refutation of Bergland's brave claim last January that "while we have calculated the impact of the suspension on Americans to be relatively small, we expect that the reverse will be true for the Soviet Union." As soon as the embargo was announced, the price

of U.S. grain paid to the farmers began to plummet. In the first week after the Jan. 4 embargo, the price of corn, for example, broke down to \$2.23 a bushel from \$2.45 a week earlier and, after a short recovery, was at this depressed level again by late March. This result was guaranteed when Carter ordered the embargo on the basis of "national security," which meant that the government would not pay 90 percent parity prices for the crops affected by the cutoff.

If the Soviets haven't been fazed by the embargo, and if the farmers of this country were badly hurt, who benefited?

In a Dec. 10, 1976 internal memorandum entitled "Proposed reply to the request of the Carter-Mondale Transition Group," the North American Grain Exporters Association (NAGEA) insisted that the new administration should have a policy of depressing grain prices. Written by NAGEA director Joseph Halow to top management at the Bunge Corporation, a major grain multinational, the memo states, "Under the circumstances, any increase in U.S. prices not compatible with market realities would serve to make U.S. grains less competitive, with the resultant risk of our building unmanageable stocks in the United States." Remarkably, this 1976 memo says that one of the five pressing issues will be "Treatment of the U.S.S.R. in the exports of

U.S. grains." The U.S.S.R. is the only foreign nation mentioned.

The multinational grain companies are similar to oil multinationals in that they are a closely controlled, highly secretive international cartel. Unlike the oil multitis, however, the grain companies are not involved in production, and low prices are beneficial to their profit sheets. When charges flew in the first month of the embargo that American grain companies were violating the edict by trading in other markets, the Carter administration covered for them by blaming "foreign" companies—a meaningless concept in this situation.

In March, Agriculture Secretary Bergland admitted that Philipp Brothers, a division of Engelhart Minerals and Metals Corporation of New Orleans, and Tradigrain of New Orleans, were violating the embargo. The administration took no action against the two U.S.-based companies, who were presumably undercutting "national security."

In June the administration made life even more comfortable for the companies by announcing that "foreign subsidiaries" of the U.S.-based grain merchants could sell "foreign" grain to the Soviets.

Did the grain multitis reap unexpected profits from the transshipments required to nominally circumvent the embargo, or worse, was the embargo itself designed as part of an administration arrangement to tighten the cartel's control of world food supplies and to tighten the price structure coyly referred to as "market realities"? Is this why our allies are so willing to violate the nonembargo? And wouldn't this make a very interesting congressional investigation?

# Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Financing	Comment
<b>NEW DEALS</b>				
\$540 mn.	Argentina from Holland	A predominantly Dutch banking consortium led by AMRO Bank is financing purchase of Dutch capital goods and services for 2,000-km. natural gas pipeline being built by Dutch Bos Kalis group and Argentine partners. An additional \$300 mn. in Eurodollar financing needed to complete project is now being negotiated.	1.1 bn. florins by consortium led by AMRO and Lloyds.	Loan signed.
\$350 mn.	Portugal from U.S.	Portugal's national airline, TAP, has signed long-delayed deal for 3 Lockheed 1011 planes to replace aging Boeing fleet. TAP is favoring Europe's Airbus for medium-haul planes to be ordered next year.	\$60mn. for 10 yrs. at 8% from Exim Bank; \$90 mn. for 7 yrs. at $\frac{3}{8}$ % to $\frac{5}{8}$ % over LIBOR by National Westminster-led consortium.	
<b>UPDATE</b>				
\$471 mn.	Brazil from France	Petrobras loan reported in <i>EIR</i> , Oct. 7.	\$250 mn. for 8 yrs. at 1.5% over LIBOR, by 5 French banks led by Paribas; \$221 mn. for 8 yrs., suppliers credits by French gov't. Coface for 20 yrs. with 10-yr. grace at 3.5% fixed interest.	Signed Oct. 24. 1.75% spread reported by <i>Financial Times</i> was a—perhaps intentional—misreport. FF 882 French Treasury credit is at exceptionally favorable terms.
\$430 mn.	Brazil from France	Financing for power station for Porto Primavera Dam power station being built by French and their Brazilian subsidiaries for CESP, the Sao Paulo State electric company. Reported in <i>EIR</i> , Nov. 4. These loans were first committed in 1976.	\$200 mn. loan headed by Societe Generale, probably at 1.5% over LIBOR; \$230 mn. supplier credit, probably at soft conditions comparable to Petrobras loan.	Signed Oct. 24.
\$1.1 bn.	Brazil from Japan	Brazilian Planning Minister Delfim Netto was in Japan last week hoping to close the following deals: <ul style="list-style-type: none"> <li>• \$900 mn. for complete financing of 80,000 tpy aluminum plant (Albras-Alunorte) under scaled-down conditions;</li> <li>• \$100 mn. for Praia Mole port;</li> <li>• \$50 mn. for Petrobras oil exploration;</li> <li>• \$50 mn. for BNDE development bank for various industrial and agricultural projects;</li> <li>• technical and financial support for \$30 bn. Carajas multi-mineral project.</li> </ul>	<i>Yomiuri</i> says Japanese govt. has vetoed most of these loans.	Results of trip will be in next <i>EIR</i> .

# U.S.S.R. developing industrial use of nuclear explosions?

by Charles B. Stevens

Recent information indicates that the Soviet Union is making wide use of peaceful nuclear explosions, and there is speculation that the Soviets may be developing a Pacer project.

In the Nov. 1980 issue of *Fusion* magazine, Dr. Walter Seifritz of the Swiss Federal Institute for Reactor Research reviewed the tremendous energy and economic potentials of using hydrogen bombs to generate hydrogen and fissile fuel in a Pacer-type project.

Pacer is the concept developed by U.S. researchers for using H-bomb explosions contained within salt-dome cavities to produce energy and breed fissile fuel—the concept upon which Seifritz based his own proposals.

In the United States, the Carter administration curtailed even the studies of this technology, along with all remnants of the U.S. Plowshare program—peaceful applications of nuclear explosions, or PNEs.

The Plowshare program, begun in 1957, took its title from the Biblical phrase, “They shall beat their swords into plowshares; neither shall they learn war any more.” After a series of successful experiments, Plowshare began to investigate the use of nuclear explosives for excavating canals; building tunnels, harbors, and dams; and recovering such natural resources as oil, gas, and minerals.

Even at the time of Plowshare’s initiation, it was noted that peaceful nuclear explosions were particularly attractive for the Soviet Union, with its huge deposits of minerals and petrochemicals and its vast development projects. Now that the United States has aborted Plowshare and the Pacer research, the question remains: to what extent is the Soviet Union carrying out work along these lines, and what are the strategic implications?

The fact is, the Soviet Union has maintained the largest PNE program in the world. For example, U.S. intelligence estimates that at least seven PNE test shots were performed in the Soviet Union in 1979. These same sources calculate that the Soviet Union has devoted as

much as 8 percent of its nuclear tests to peaceful applications over the last few decades. Given the siting and explosive power of recent Soviet underground detonations, it is likely that the Soviets have an active program to develop Pacer.

Since the United States shut down Plowshare in 1976, all exchange of information with the Soviet Union on PNEs has ceased, and the United States has not even maintained a working intelligence group to monitor the Soviet PNE program. It should also be noted that the former director of Air Force intelligence, Gen. George Keegan, included in his discussions of Soviet antimissile beam weapons the necessary development of a Pacer-type system for the pulsed electric power supply to drive them.

### How Pacer works

The key idea in the Pacer concept was first developed by H. W. Hubbard of R&D Associates. Experience from numerous underground nuclear tests indicated that, given the proper geological formation, several hundred H-bombs could be detonated successively without destroying the cavity within which they were exploded. The particular geological formation needed is that of a salt dome, in which the mechanical stresses caused by the explosion-induced seismic shock can be dissipated in a controlled manner.

The Pacer concept consists of setting off a 20-kiloton TNT-equivalent, deuterium-based H-bomb every few hours within such a cavity. Steam containing suspended particulates of uranium or thorium is continuously passed through the 575-foot-diameter cavity located about 1 mile below the surface. In this way, the heat energy from the bomb blast can be extracted. Simultaneously, fusion-generated neutrons are absorbed by the uranium or thorium suspended in the steam. When this occurs, the uranium or thorium is converted into fissile

fuel (plutonium or uranium-233), which can then be extracted from the steam and fabricated into fuel rods for nuclear-fission electric power reactors.

Pacer is a most prolific breeder of fissile fuel. Enough fissile fuel can be bred from fusion-generated neutrons so that 12 to 20 times more energy is created in the form of fission reactor fuel than the immediate energy released by the H-bomb detonation.

### Strategic implications

It is commonly thought that there are more than enough nuclear weapons in today's arsenals (currently estimated at a total of 100,000 strategic and tactical warheads) to destroy the world several times over. In reality, however, when one considers alternative applications of nuclear devices such as antimissile "flak," military excavation and construction with clean H-bombs, and explosive power supplies for beam weapons, the possession of greatly enhanced nuclear-weapons stockpiles could be of immense strategic significance. The chief cost and production constraint on nuclear weapons production is that of procuring the fissile fuel needed in all types of warheads.

With conventional technology, such as uranium diffusion plants and nuclear breeding reactors, major increases in production of weapons materials would take at least several years to develop and could not be done in complete secrecy. A Pacer system for solely breeding fissile materials would not suffer from these drawbacks and could only be definitely observed—through seismic measurements of the continuous thud of Pacer underground explosions—once production had actually begun.

The key factor determining just how efficient and economic Pacer could be as a fissile-material breeder is the question of how large an H-bomb could be detonated within a 575-foot-diameter cavity without destroying it. The original U.S. projection of 20 kilotons was an extremely conservative estimate based on a limited number of underground explosions and theoretical calculations. Some experts believed that explosions as large as 200 kilotons could be achieved. These larger devices would incur no increased economic or fissile-fuel investment and would effect a tenfold increase in the amount of fissile fuel generated.

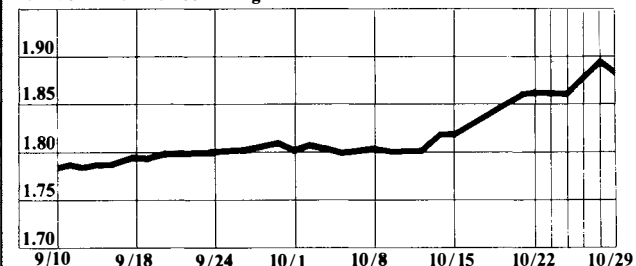
In order to determine whether use of these more efficient, larger detonations is feasible, actual tests would have to be carried out. And in fact, the Soviet Union has carried out a number of underground explosions near this 200-kiloton level (which is slightly above the maximum levels allowed by the Nuclear Test Ban Treaty, 150 kilotons) in Azgir, a region of the Soviet Union that contains natural salt-dome formations.

*This article appears by permission of Fusion magazine.*

## Currency Rates

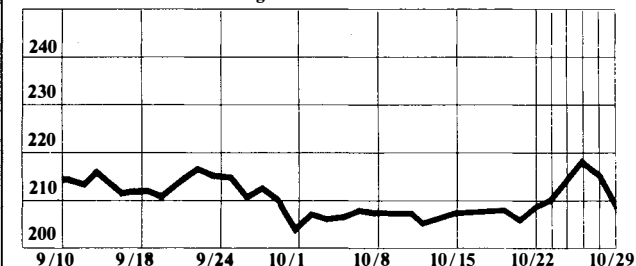
### The dollar in deutschemarks

New York late afternoon fixing



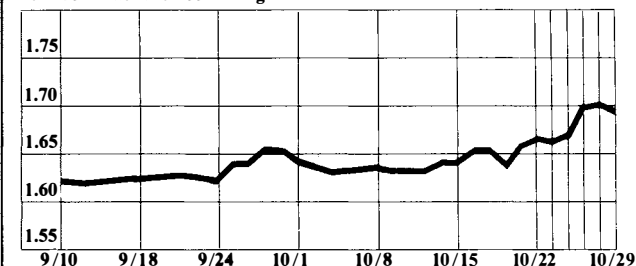
### The dollar in yen

New York late afternoon fixing



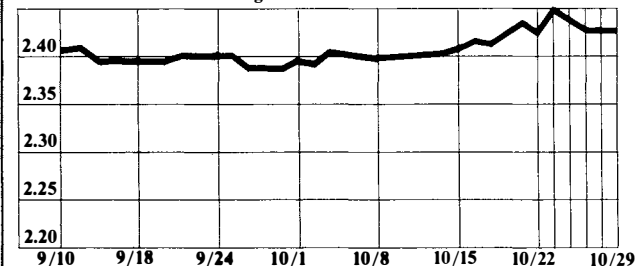
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



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# Business Briefs

## **Banking**

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### **Heimann flexes his takeover muscle**

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U.S. comptroller of the currency John Heimann has taken almost complete control over the \$800 million National Bank of Washington, D.C., an action bank executives fear could set a precedent for untoward exercise of regulatory power.

The comptroller's examiners charge that the capital's third largest bank, whose majority stockholder is the United Mineworkers union, has made millions in "questionable" loans through inside channels in recent years. After preliminary investigations, the comptroller's office has exacted from the bank's management approval of a plan that surrenders to the comptroller all final authority over bank decisions including loan policy, selection of bank officials, board of director appointments, and dividend payments.

The plan specifically restructures the bank's board to remove control by union leaders or their appointees. A source close to Heimann hinted this week that the union was told to accept federal takeover or face prosecution.

"This demonstrates that we have the ability to step in and take over banks whenever loans are questionable, with forceful action," the source said. "We would do the same with questionable loans made, say, to a Third World nation."

## **Agriculture**

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### **Carter brags about his farm record**

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On the campaign stump this week in Toledo, Ohio, Jimmy Carter delivered his major agricultural policy address. The President proclaimed that prices for all farm commodities have sharply risen since his inauguration.

Farm prices have indeed risen—for

the consumer, not the farmer. The latest 12.7 percent annual rate of increase in the CPI was heavily accounted for by the steep climb of U.S. food prices. Farmers, however, reap none of the benefits, because the price rise is matched by a 12 percent annual rate of increase in farmers' costs of production, twice as steep as the 4 to 6 percent annual rate of increase in gross total farm income.

In net income terms, American farmers are worse off than during the 1930s; net income is projected to fall by 20 percent this year.

Four years of Carter's credit policies have slashed farm investment in capital equipment, chemicals, and other technological improvements. U.S. wheel tractor sales, for example, will be off 20 percent in 1980 compared with 1978, and farm productivity has suffered accordingly as capital stock wears down.

Carter's persistent vetoes of crucial water projects are meanwhile partly to blame for serious drought damage throughout the Rocky Mountains and far-Midwest areas.

## **European Community**

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### **Germany, Britain fight over steel quota program**

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After three weeks of threatening veto action, West German officials are expected on Oct. 30 to approve a European-wide emergency steel quota system managed by the European Community's European Commission. German steel manufacturers have forced a compromise version that would exempt 80 to 90 percent of German specialty steel producers from the 10 percent production cutbacks imposed by the program.

The EC initiative was launched at the end of September by British Steel, whose chairman, Ian MacGregor, was hired last year from New York's Lazard Frères to rationalize the state-owned company. MacGregor accused French and West German producers of mammoth dumping on the U.K. market. He stated that if EC production quotas were not set, he

would retaliate by initiating large-scale British dumping.

In recent years, Kruppstahl alone has invested 3 billion marks in plant modernization, largely through self-financed loans. By contrast, British Steel has received 8 billion marks equivalent in bailout loans from the British government, all of which have gone toward rationalization and debt financing. Coming soon in *EIR*: a survey from our Wiesbaden bureau on German steel's technological edge and the overall EC steel situation.

## **World Trade**

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### **U.S. trade with Europe leads autumn collapse**

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Led by a collapse in U.S. export trade to Europe, U.S. export levels fell by 2.1 percent in September, and appear headed for larger declines in the months ahead. As a result, the overall U.S. trade gap widened by \$1.6 billion in September, and pushed the red ink to \$25.97 billion for the first nine months of this year.

U.S. exports to Europe had zoomed for the first six months of the year, because the U.S. dollar was so cheap relative to other currencies, making U.S. goods cheaper. Secondly, Europe's economies were growing and needed a high level of imports. As a result, U.S. exports to Europe rose 43 percent for the first six months of 1980, and overall U.S. exports grew by 8.5 percent.

In recent months, however, the dollar has appreciated, and Germany and France, the two powerhouse economies of Europe, are heading toward recession. In August, U.S. export levels to Europe were up only 8 percent above year-before levels and by September, the export level was flat.

The trade balance is also affected by a growth trend in U.S. imports that signals a new dependence. After falling by 6.9 percent in the second quarter, and 3.9 percent in the third quarter, U.S. import levels appear to be rising. This raises the fear that the U.S. can no longer internally produce the goods it needs.

# Briefly

● **ARMIN GRUENEWALD**, on behalf of the West German government, announced this week that Bonn sees rumors of deutsche-mark devaluation as “unrealistic, supererogatory, and damaging.” The cabinet has resolved against any devaluation policy, he said.

● **INDIA'S ALUMINUM** industry is being expanded through a \$680 million Eurocurrency credit now being negotiated by an international consortium led by Bank of America. Pechiney Kuhlmann of France will build the huge complex in Orisa. In addition, Renault and Peugeot have agreed to help India modernize its obsolete high-cost auto industry.

● **GOLDMAN SACHS** analyst Leon Cooperman said this week that the latest rise in the U.S. prime rate has virtually “shut down the long-term bond market.” “Bond buying has become a greater gamble than buying stocks.” Major cancellations this week totaled \$225 million.

● **MANNY HANNY**, in its latest *Financial Digest*, says that current administration reports of “recovery” are “no more than a mere upward blip in the recession,” which is ongoing. The third-quarter GNP rise of \$3.5 billion, they write, is more than offset by the 2nd quarter's \$36 billion loss in output, while consumer spending and capital investment continue to decline.

● **TREASURY** Secretary G. W. Miller has endorsed the Volcker Federal Reserve's monetarism. “The U.S. must continue to pursue a firm, disciplined monetary policy,” he told a New York audience this week. This is something of an about-face considering Miller's earlier political criticisms of the Fed's high interest rates.

## International Credit

### French spokesman boosts new monetary system

Jean-Pierre Fourcade, finance minister in President Giscard's first government in 1974 and now president of the Giscardian political think tank Club Perspectives et Realités, told a New York audience that the European Monetary System can serve as the “regional” basis for a new monetary system that would initially include European, African, and Arab nations.

Responding to a question by an *EIR* reporter present at the Oct. 30 founding meeting of the New York chapter of the club, Fourcade said that having participated in negotiating the Jamaica monetary accords between the U.S. and its leading partners, he could affirm that creation of a new global monetary system to replace the Bretton Woods system is not possible right now, because the United States would not agree to participate.

However, the former minister declared, the EMS and its second phase, the European Monetary Fund, could serve as the regional monetary basis for securing the “trialogue”—organized cooperation between Western Europe and the African and Arab nations—that President Giscard is actively pursuing. He cited two countries, Algeria and Tunisia, as possibilities for early participation in the EMS.

## Development Policy

### France and Arabs to form joint bank

Concluding a two-day visit to the former French colony of Tunisia, French premier Raymond Barre gave his government's approval for the creation of a Franco-Tunisian bank which will also involve OPEC investment.

Barre and his Tunisian counterpart,

Mohamet Mzali, described the agreement as a first step toward realizing French president Giscard's proposal for a “trialogue” among Europe, Africa, and the Arab nations for the economic development of the Third World.

The bank's capital, whose final composition will be hammered out in talks this month among experts from the countries involved, is expected to be 30 percent French, 40 percent Tunisian, and the remainder from Arab oil-producing countries including Iraq.

The move is viewed in Paris as a positive means of petrodollar recycling.

## Domestic Credit

### Big Three auto losses signal giant problems

The announcement Oct. 29 by Chrysler Corporation that its third-quarter profits plunged \$497 million, on top of losses of \$595 million and \$567 million announced by Ford and General Motors, pushed the Big Three's losses for the quarter to \$1.6 billion, far larger than ever recorded by a sector in any one quarter.

The auto collapse paced an overall profit decline for 400 leading U.S. industrial corporations of 17 percent for the third quarter.

The problem facing auto is its acutely negative cash flow situation. In the last 11 years, Chrysler has had a positive cash flow for only three; Ford and GM have registered negative cash flows for three of the last six years.

Caused by inflation's ill effects on capital spending, and the sharp decline in unit sales for the last two years, this situation means that automakers must turn to heavy—and extremely costly—short-term borrowing to carry on regular operations. Ford has already had its once-sterling long-term credit rating reduced to single A. Unless the auto sales picture improves soon, the industry will find that interest payments are consuming such a high percentage of current working outlays that they are unable to stay in business.

## Iraq's nation-building versus Iran's Dark Ages

by Criton Zoakos

President Saddam Hussein of Iraq has secured a place in history for himself as a result of the decisive strategic defeat that he inflicted upon Ayatollah Khomeini and, more significantly, upon the "Khomeini experiment." The extent of Khomeini's defeat is not by any means measurable by the relatively modest Iraqi military successes on the battlefield. These Iraqi military successes are significant not because of the tactical military situation that they have created but rather because of the profound political transformation which they have generated as a result.

No matter what else may realistically be expected to occur in the tumultuous domain of Middle Eastern politics, the British-intelligence-authored project of creating a string of jacobin-sacerdotal states in the 21st century has failed. The "Khomeini experiment" of bringing religious fundamentalism to state power has been defeated by Saddam Hussein. Iraq's military measures against the Islamic Republic of Iran have caused a reversal of the momentum with which religious fundamentalism was spreading throughout the Gulf region. No religious destabilization projects will be successfully launched in either Saudi Arabia, or Kuwait, or Iraq itself, nor, for that matter, in those Central Asian regions neighboring Afghanistan, for at least the next 20 years.

Regardless of how the present Iraq-Iran war is concluded, the great British intelligence project of subjugating the humanist-scientific tradition of Islam under the hideous cult of Khomeini's Asharism has failed resoundingly.

There are two sets of consequences to what Saddam Hussein's Iraq has successfully accomplished. The first is the aggregate of the strategic-political transformations occurring in the Middle East as a result of the Iraqi action, and the the second is the set of historical-theoretical implications that are now being debated in the rarefied heights of long-term policy making elites of certain countries.

Iraq's military action of over one month ago has forced the emergence of





King Hussein of Jordan, in Baghdad Oct. 4-5, stated that Iraq's war is that of all Arabs.

two exceptionally unusual coalitions of states in the Middle East. They can best be described as the "Coalition of Sacerdotal States" confronting the "Coalition of Nation-States." Ironically but lawfully, the sacerdotal coalition is composed of Israel, Libya, and Iran, on the basis of a strong, shared commitment to defend and rescue the theocratic regime in Teheran. They are supported in their endeavor by the Carter administration.

The "Coalition of Nation-States," on the other hand, is centered around the close military, economic, and political cooperation of Iraq, Saudi Arabia, and Jordan, with Egypt's Sadat increasingly being drawn into their orbit.

### The strategic-political implications

When one observes, as we have in recent weeks, Begin of Israel, joining hands with Qaddafi of Libya, and Khomeini, in calling for the overthrow of the governments of Iraq and Saudi Arabia, one draws the conclusion that the conflict between the "sacerdotal" and the "nation-state" tendencies in the Middle East is of such an overriding significance that it overshadows the more traditional conflicts, such as the one between Arabs and Israelis which had determined political processes in the area up until the Iraq-Iran war.

The objectives of the Iraq-Saudi-Jordan coalition are best characterized as a massive, 20-year-long nation-building program articulated earlier this year in the Iraq-authored Amman Resolution of the League of Arab States, a document approved by the majority of

Arab states. It outlines a twenty-billion-dollar a year investment program designed to transform the key states of the Fertile Crescent, *Arabia Deserta*, and *Arabia Felix*, into modern, nuclear-energy-based states by the year 2000. The Amman Resolution program envisions massive infusions of advanced technologies, large-scale education drives, the formation of a large, skilled industrial and engineering labor force, transfers of population from backward rural areas to prospering cities, and development of Middle East agriculture along the lines of a high-technology path directly inspired by the "American System."

Counterposed to this nation-building perspective of the Iraq-Saudi-Jordan coalition, is the "New Dark Ages" program jointly shared by Menachem Begin, Muammar Qaddafi, and Ruhollah Khomeini, the three principal spokesmen of Pol Potism and religious obscurantism in the Middle East. It is not coincidental that the economic planners of the Khomeini regime, from President Bani-Sadr on down, share the very same economic-doctrinal outlook as the principal economic policy makers of the Begin government in Israel who have successfully wrecked that nation's economy.

The shared perspective of economic and technological backwardness among Begin, Khomeini, and Qaddafi is not coincidental. Rather, it is the result of the fact that all three leadership groupings are in fact captive agent outposts of the same "mother" organization, British intelligence.

The top long-term policy-formulating groupings of

British intelligence, i.e. the British Crown's think tanks such as the Foreign Affairs section of the Anglican Church, the Arts Council of Great Britain, and the evolved corporate entities of the old Special Operations Executive of World War II including British Petroleum and the London and Canadian banks, had, since the mid-1960s at the latest, formulated the long-term strategic deployments that would eventually attempt the "sacerdotal" transformation of the Middle East. Eventually, this broad programmatic perspective became known in the world of intelligence as the "Bernard Lewis Plan," named after Princeton professor Dr. Bernard Lewis, an employee of Morgan Guaranty, who, as a British subject in the course of the Second World War, served as Middle East intelligence chief for Arnold Toynbee and there first acquired a solid reputation as the foremost Middle East intelligence expert and leading Arabist. The Bernard Lewis Plan, known in outline, called for the elimination of the existing national structures throughout the Middle East, and their replacement with religious states, such as Khomeini's Iran and Begin's Israel and tiny religious and sectarian enclaves such as those threatening to emerge now in Lebanon at the expense of the central government.

Even though the Bernard Lewis Plan started being gradually implemented with the onset of the Lebanese Civil War, its full-scale launching was supposed to take place with the overthrow of the shah of Iran. Its further implementation has now been checked by Iraq.

The Carter administration's Camp David venture was undertaken in 1978 as a subsidiary, parallel operation designed to facilitate the sectarian breakdown of the Middle East envisaged by the Bernard Lewis Plan. In fact, as it will be recalled, the unfolding of the Camp David agreements and the destabilization of the shah took place in parallel chronological order. Now, as the disintegration of the Khomeini experiment begins to loom on the horizon, we also see the first moves by Egypt to ultimately disengage from its tenuous partnership with Israel. President Sadat, whatever his other illusions respecting Camp David, has been very explicit in his opposition to Khomeini and vehement in his objection to Israel's collaborating with Khomeini. Sadat has in fact embarked on a course of covert and quasi-overt cooperation with Iraq against Iran. Egypt-Israel relations will continue to be strained and eventually will break as a result of Iraq's moves.

Over the next two years, the political evolution of the principal Arab states, and especially the Iraq-Saudi-Jordan (and increasingly Egypt) axis, will tend to swell into a large-scale "Gaullist" type of phenomenon, a tendency of asserting well-defined national economic, political, and cultural interests at the expense of the two "superpowers." The British "sacerdotal" intervention of the 1978-80 period was designed to remove the

overwhelming influence of the United States and the U.S.S.R. from the region and replace it with British influence, initially concealed as "Israeli" influence. This equation has now been scrapped as a result of the Iraqi action. Thus, even though superpower influence has been diminished, the vacuum thus generated has not been filled by "British-"inspired influence. Instead, as a result of the persistent Iraqi pursuit of nationalist development policies, a regional, sovereign "Gaullist" power is now emerging centered around the Iraq-Saudi-Jordan axis. If Sadat's Egypt eventually joins this axis, and if a France-led Western Europe lends its support, a forward-looking, progress-oriented Arab super power will emerge by the turn of the century, one based on the technological and industrial perspectives laid out in the "Amman Resolution."

### **The historical-theoretical implications**

The attempt to launch a series of theocratic states in the last two decades of the 20th century, a matter little understood by even the best-informed laymen, has been a constant commitment of a certain faction of British long-term policy makers since at least the 1830s. With varying degrees of intensity, with ups and downs, this policy commitment was kept alive until today, a period in world history filled with religion- and ideology-inspired movements, from Islamic fundamentalism to "liberation theology" in the Third World.

This long-term project, ordinarily invisible to the naked eye of even the most trained sort of political observer, has been shaped and gradually and skillfully pushed by the most rarefied sort of high-level policy makers within the British royal establishment in parallel cooperation with the ancient aristocratic families of Europe, the Genoese "black Guelphs," the Venice families, and the Wittelsbach-Hapsburg associated networks of the Jesuit Order.

Although very little of this long-term effort has seen the light of publicity, glimpses of the strategic thinking prevailing in those circles were published in some of the works of the British historian Arnold Joseph Toynbee, chief of the Arab Bureau of British intelligence during World War I and the subsequent Versailles Treaty negotiations, and later chief of Britain's combined intelligence services during World War II.

Toynbee was one of the most prominent popularizers of the doctrine that "in the long sweep of history," religious ideology, sacerdotal authority, and the "religious sense of identity" of the individual are historical forces far superior to currently prevailing forms of national identity and national authority. Hence, Toynbee repeatedly argued, if one is to ultimately construct and control a lasting, stable imperial world order in the "final analysis," and in the "long sweep of history," one must engineer the intelligence and subversion networks



Photo: Spengler/Sigma

*Fundamentalism in Teheran: off the drawing boards, 1979.*

which will be capable of imposing a sacerdotal authority and a religious sense of identity over populations that are currently ruled by secular authorities and national senses of identity.

A similar school of policy thinking was developed in the United States at Georgetown University, the school which trains the vast majority of the nation's foreign service officers. The principal architect of this school of thought in the United States was the late Carroll Quigley, the erstwhile dean of history at Georgetown, member of the most senior Jesuit family in the United States and cousin of General Joseph Carroll, the founder of the Defense Intelligence Agency. Quigley's theory, very influential in the "McGovernite" circles of the State Department, was best summarized in his monumental historical work on the 20th century, *Tragedy and Hope*. He there supplied the most coherent sort of argumentation about why the United States would eventually have to develop a long-term strategy of achieving an ultimately permanent and stable world order, a "Great Stability," by means of promoting the emergence of sacerdotal authority and the Chinese model on a worldwide scale. Quigley and his adherents in the foreign service also argued that the single most

potent obstacle to such a policy is the prevailing form of sovereign nation-state.

This school of thought designed and promulgated instruments whose purpose was and is the gradual, long-term systematic weakening of the authority, power, and prerogatives of the sovereign nation-state, such as the various agencies of the United Nations, the various One World government schemes, the jesuitical "human rights campaigns," fabian movements, liberation and "liberation theology" movements.

This Anglo-American, or more accurately, Anglo-American-Canadian school of strategic thought, has exerted an extraordinary influence in shaping Anglo-American policy over the recent years, principally because it has acted as the most advanced theoretical instrument of a very powerful corporate coalition centered on banking, insurance, real estate, and high technology with a cumulative financial clout of over one trillion dollars.

Working out of the advanced studies centers of the most prestigious universities of the English-speaking world, Oxford, Cambridge, Princeton, Yale, Harvard, Columbia, and so forth, and based on the accumulated traditions of long-term policy making of their aristo-

cratic patron families, this school of thought views its policy-making function in the context of an ancient tradition which goes back at least 3,000 years.

From this point of view, the evolution of human political practice over the millenia is primarily a continuous struggle between two ultimate, irreconcilable, rival principles of authority: the authority of sacerdotal rulers against the secular authority of human reason, organized in the form of a secular state, be it a monarchy, a republic, or a constitutional monarchic order.

The historical factional opponents of this sacerdotal faction, opponents whose historical interests Iraq's Saddam Hussein has, perhaps unwittingly, so effectively championed in the last six weeks, is the Neoplatonic humanist faction. It traces its origins back to the dawn of recorded history when the great Mesopotamian kings, such as the lawgiver Hammurabi, fought against the rule of the Babylonian priesthood, and in the momentous historical events of the fourth century B.C. in the Eastern Mediterranean whose memory has come down to our days as the "classical era," in which the great Plato articulated the underlying theoretical necessity of the "Politeia," the well-ordered Republic, for the continued survival and progress of the human species.

This Platonic theory of statecraft has been preserved, in its modern form, in the doctrine both political and legal, of the sovereign nation-state, as initially shaped by Dante Alighieri in his celebrated *De Monarchia*. The sovereign nation-state from its inception as a political concept, has been conceived as the "second-best" form of organization of human beings around a long-term, lasting moral purpose. The political enemies of the humanist movement learned from an early stage that the most effective way of subverting the morality of a population is to undermine the authority of the sovereign nation-state.

The conflict between the secular authority of reason and sacerdotal authority was the central issue around which the Thirty Years War was fought between the Holy Roman Empire of the Hapsburgs and the French kingdom, the best approximation during that time of Dante's *Monarchia* embodying the legal principle of the sovereign nation-state.

The Thirty Years War ended with a landmark victory for mankind, the signing of the Peace of Westphalia, the first diplomatic and legal document ever in history to recognize and sanctify the absolute sovereignty of the Platonic program of the nation-state. The second such landmark turning point was the founding of the United States, inaugurating the constitutionally defined sovereign nation-state.

Subsequently, the American model of political organization, the nation-state in which the *nation* is defined not by common ethnic roots, or racial roots, but

exclusively by a commonly shared moral purpose, became the hegemonic form of political organization among human societies. What then emerged in history is what shallow observers call as the "Era of Nationalism." With all its internal problems and inadequacies, its ups and downs, the last two centuries of human history have been ordered around the organizing principle of the sovereign nation-state. From Napoleon's final defeat, from the Treaty of Vienna of 1815 onward, world history has been the continuous struggle between the sacerdotal-oriented British oligarchy and the American-inspired *nation-state*.

In the context of this sweep of history, the British decision in the mid-1960s to go with the Khomeini experiment represents a very significant shift in the terms of the fight and indeed a very large investment. What Khomeini had started in Iran was supposed to spread throughout the one and a half billion population of the Islamic world. Islamic fundamentalism was then supposed to be cultivated and manipulated in parallel with Christian Marxism and liberation theology movements throughout the Christian portions of the developing world, especially Latin America and the Philippines. Africa was eventually to be shared between Islamic fundamentalism and liberation theology.

The economics of this imagined world order are the economics of Pol Pot's Cambodia. According to the International Monetary Fund's "austerity programs" and "credit conditionalities," world population must be reduced by one and a half billion by the year 2000. Khomeini and his cothinkers among the Jesuits of the Nicaraguan revolution were programmed to fire the opening shots of this worldwide Pot Pot program.

Pitted against this context, the present, otherwise-modest achievement of Saddam Hussein's Iraqi leadership acquires a new, greater significance.

Saddam Hussein and his co-leaders have not yet developed themselves to the depth of historical leadership of the historical nation-building tradition of Dante, Al-Farrabi, Leibniz. Hussein has, however, demonstrated the resiliency and potency of the nation-state form of organization beyond the wildest suspicions of the gamemasters at Oxford and Cambridge. Once the sovereign nation-state has identified to itself the tasks for the scientific, economic, and moral development of its population as Saddam Hussein's Iraq has successfully done since 1968, then such a nation-republic is capable of generating from within itself the resources and leadership required to counter every sort of challenge and threat.

In short, in the current Gulf war, the odds are long in favor of Saddam Hussein's nation-state and against the painstakingly and artificially constructed pseudo-sacerdotal order of Iran's Mullarchy.

# The international stakes in the Iraq-Iran conflict

*The material presented here is excerpted from a book by Robert Dreyfuss, The Secret Behind the Ayatollah Khomeini, to be published by the New Benjamin Franklin House. It extensively documents the imposition of a New Dark Age upon Iran by the Khomeini regime. Iran has repeatedly threatened to overthrow the government of Iraq—as well as Saudi Arabia and Kuwait—in order to spread the New Dark Age.*

*Middle East as a whole.*

“We know how to fast,” proclaimed Ayatollah Khomeini in dismissing any concern over economic sanctions against Iran after the seizure of American hostages. “We will eat the wheat and the barley that we grow in our country. We will eat meat once a week. Eating meat is not such a good thing anyway. We are a nation of 35 million people and many of these people are looking forward to martyrdom. We will move with the 35 million. After they have all been martyred, then they can do what they want with Iran.”

Khomeini’s threat to turn Iran into a nation of dead bodies—“martyrs” to Khomeini’s Muslim Brotherhood cult—reminded many Iranians and others of the mass suicide of over 900 members of the Rev. Jim Jones’s People’s Temple in a Guyana jungle. And not long before Khomeini came to power, the world had awakened to discover an entire nation whose population had been cut in half by a leadership gone insane: Cambodia.

In Cambodia, under the careful watch of thousands of Communist Chinese advisers, the regime of Pol Pot and Ieng Sary systematically tortured and killed more than 3 million men, women, and children among Cambodia’s 7 million inhabitants. Numbed observers who entered Cambodia after the merciful overthrow of the Pol Pot butchers found mass graves, huge piles of human bones, and concentration camps of mass murder. All machinery and technology was destroyed. Cambodia’s cities, including its capital of Phnom Penh, were reduced to decaying hulks, with grass growing in the streets and

animals roaming the rubble.

The Khomeini regime’s fundamental objective is to impose the same New Dark Age on Iran. That is no metaphor or literary exaggeration. That is what is already occurring inside the country.

President Abolhassan Bani-Sadr, who was Khomeini’s chief economics adviser during his exile and then rose from deputy economics minister to foreign minister before his January 1980 election as president, has officially declared Iran’s intention to enforce a policy of eliminating Iran’s cities.

“Teheran is a monstrous, parasitical city, which absorbs by itself half the national consumption, and poses an abusive burden on the state budget,” he told *Le Monde* last year. “We will depopulate it by creating in the provinces industrial and agricultural production units.”

Do you favor the Cambodia solution? Bani-Sadr was asked by *Le Monde*. “Yes, but without the rifles. By faith and by persuasion.”

## The mullahs in control

Since the revolution, all power has fallen into the hands of about 200,000 mullahs who control every aspect of daily life. Their decisions are based on whimsical and arbitrary applications of what they themselves determine to be Muslim law. The widespread executions by Ayatollah Khomeini’s Revolutionary Courts are well known. But what is not so well known are the executions of women for alleged acts of adultery or prostitution; the mass, street-corner public executions of convicted criminals to, as one mullah put it, “teach the people a lesson”; public floggings; and, in one case, the documented case of a public death by stoning.

A couple accused of violating so-called statutes of Islam by fornication were buried up to their shoulders in sand. Then from a distance a gang of shouting mullahs began hurling stones at them, first small ones

to inflict painful and bloody wounds and then larger ones to break bones and, finally, to crush the skulls of the "guilty."

Under Khomeini, Iran's radio and television have been transformed into what Iranians now call "mulla-vision." No matter what hour of the day, the television carries only one image: the visage of a bearded, turbaned mullah chanting some prayer or reading from the Koran. What passes for the "news" in Iran is also read by mullah announcers.

No entertainment in the form of movies, nightclubs, and dance halls is permitted. Alcoholic beverages have been banned—although opium is plentiful.

Early in the revolution, Khomeini himself personally issued a ban on the playing of all music, calling Beethoven and Bach the "product of evil Western satans."

With power resting in the hands of the turbaned mullahs, ignorance reigns supreme. When the mullahs decided that the loyalty of the armed forces could not be taken for granted, they decided to station several mullahs on each military base to oversee operations. With no military background and totally ignorant of science and technology, the mullahs nevertheless gave orders to the commanders on the bases. In one case, when told that American space satellites were passing overhead, the mullahs at the base told the air force to take off and shoot down the passing satellites!

Recently, it was declared that Muslims do not need furniture, and all furniture stores and factories were ordered closed. Similar decrees wiped out florists, perfume stores, clothing shops, and so forth. When Khomeini ruled that frozen meat was forbidden by Islam, the importation of meat was suddenly halted. Food shortages quickly followed. Cumulatively, the impact of these measures has been to drastically increase unemployment and inflation and to force a sharp drop in consumption of both essentials and "luxuries."

In the cultural field, Iran is losing the previous heritage of many thousands of years. Bands of fanatic mullahs, believing that it is their mission to destroy any remnant of pre-Islamic civilization in Iran, are reported to be roaming through the countryside with sledgehammers. One by one, they are attacking the monuments of ancient civilizations in Iran, smashing irreplaceable treasures of the past and ruining priceless archaeological sites that will be lost forever to mankind. Vast museum collections are being savaged by the mullahs to eliminate anything that might be considered "anti-Islamic." Medieval, barbarian hordes could do no worse.

Iran's entire industrial economy has been methodically disassembled by Khomeini and his gang of prehistoric mullahs. As one traveler reported this year, "I saw one shut-down construction project after another. They look like big carcasses looming over the horizon.

Everyone is unemployed."

Iran's oil-exporting industry, previously the second largest in the world, was reduced almost to nothing. Tens of billions of dollars in investments there may be permanently lost, as complex and expensive oil equipment decays into ruin. A highly ambitious program of nuclear energy development, by far the most impressive in the entire Third World, has collapsed. Dozens of other industries, from steel and chemicals to automobile assembly and mining, have ground to a halt. Millions of Iranians in the professional classes have fled the country. Mass unemployment reigns, and millions of displaced peasants and unskilled workers are flooding into urban slums and shantytowns.

Until the feudalistic-clerical revolution that toppled the shah, Iran was on its way to becoming an industrialized nation. The driving force of the country's industrialization was oil production under the National Iranian Oil Company (NIOC). In 1978, NIOC was probably the largest petroleum company in the world. In the year before the revolution, NIOC produced over 6 million barrels of oil a day. Construction was under way to expand output to 7.2 million. (Current Iranian oil exports are less than 500,000 barrels a day!)

The shah's economic planners were also planning for the future—when the oil would run out. In 1978, 32 nuclear power plants were either under construction or on the drawing boards—most of them to come on line before 1990. France and West Germany held contracts to construct \$30 billion worth of nuclear installations. In 1978 Iran was also talking with the United States about a \$25 billion nuclear package; the deal was never signed because of the Carter administration's opposition to Iranian access to nuclear energy technology. Iran had also begun to exploit what were thought to be enormous reserves of nuclear uranium fuel. Work had also begun on nuclear fusion energy, and was the pride of Iran's scientists and engineers.

The centerpiece of Iran's transformation into an industrialized country was steel. The enormous Soviet-built Aryamehr steel works in Isfahan was the leading industrial concentration in the country. In 1978, Aryamehr was already producing 1.9 million tons of steel annually, and by 1985 it was slated to have an output of 8 million tons a year, making it one of the largest steel plants in the world. The parent National Iranian Steel Company had also begun to construct several other facilities; some of its plants were using the most advanced high-technology gas-reduction equipment. By 1983—had the revolution not destroyed everything—new plants at Ahwaz, Bandar Abbas, Isfahan, and other sites would have given Iran steel-producing capacity of over 15 million tons a year.

The steel sector was also the university of Iranian industry. The Isfahan plant was the center for training

skilled and semiskilled workers, engineers, and managers for the entire nation. "Our income is not only from steel sales but also from intangible assets of training," said a steel executive before the revolution. "We have a big turnover in labor, and that is exactly the aim of the government—workers learn skills here and take them to where they are needed. In fact we run a formal school, a training center for 7,000 students."

The Sar Cheshmeh Copper Mining Company had made Iran the sixth largest copper producer in the world, producing some 142,000 tons of copper in 1979, with over 400 million tons of copper reserves under the ground. An entire new city of 25,000 people had been constructed at Sar Cheshmeh, complete with mine, smelting and refining plants, and new plants for fabrication.

Tabriz, Iran's second city, was the site of the huge Tabriz Machine Tool Plant. This multibillion-dollar package, constructed with French and West German inputs, annually produced 10,000 tons of drills, pumps, lathes, presses, milling machines, and compressors. Since 1966, Tabriz had become the center of the machine-tool industry, with a tractor factory, engine plants, truck and bus assembly plants, and other heavy industry. Thousands of Iranians flocked to Tabriz to join the growing industrial labor force. Like Isfahan, the city produced thousands of trained managers and workers for smaller plants at its vocational school. An additional 10 percent of Iran's labor force was employed in the automobile industry, under the National Vehicle Manufacturing Company.

### **Banning the modern world**

Within six months, Khomeini's revolution had completely reversed the effort to pull Iran into the modern world. Immediately, \$52 billion worth of development contracts in a dozen different areas were canceled. This soon triggered a depression, as hundreds of other smaller projects went down the tubes as well.

Among the canceled projects were several nuclear plants in advanced stages of completion, worth at least \$15 billion; the \$1.1 billion Teheran airport; the \$1.3 billion Teheran metro system; the \$1.9 billion Sar Cheshmeh copper works, already 90 percent completed; the Bandar Abbas steel works, valued at \$2.9 billion; an enormous \$6 billion project for gas injection and secondary oil recovery in the Iranian oil fields in Khuzestan; a \$3.3 billion Mitsui Japanese plant in Bandar Shahpur for petrochemicals; the second gas pipeline to the Soviet Union, named Igat-2, worth \$3 billion; a billion-dollar telecommunications system; several entire railway systems; a new port at Bandar Abbas; oil refineries, shipbuilding plants, steel works, and electrification projects.

The heart of the Iranian economy, the NIOC's oil

production, was cut out after May 1979, as exports were slashed from the postrevolutionary peak of 4 million barrels a day to its present level of about 200,000. Now, the lack of skilled labor and management—resulting from continued purges of the NIOC by Khomeini's Revolutionary Guards—has destroyed the company altogether.

Before the revolution, NIOC had begun to install complex gas injection systems in the older wells to keep the pressure high enough to permit continued pumping. This procedure requires some of the most advanced technology in the oil industry, not to mention qualified technicians. After the revolution, wells with this technology were simply abandoned, and pressure in the wells has decreased to the point where they may now be worthless.

According to former experts in the Iranian oil industry, many of Iran's oil wells are now silting up for lack of maintenance, and new wells may have to be dug if production is ever resumed. The advanced Iranian computer system that once regulated the NIOC operation has also fallen into disrepair.

In industry, the Khomeini regime has managed to destroy nearly everything that the previous regime had built. Industrial production is now estimated at 15 percent of its prerevolutionary level, with major production sectors like steel, mining, and small appliance manufacturing at a standstill.

At the Alborz Industrial Park outside Qazvin, west of Teheran, only 14 of 125 factories are currently operating, the London *Financial Times* reported. Alborz was one of the most ambitious industrial development projects, with over \$20 billion invested in more than 200 manufacturing enterprises.

In 1979, the Revolutionary Council proposed to convert the cooling towers of the two West German-built nuclear power stations in Busheir into wheat silos.

### **Opium for the masses**

Conservative estimates place Iran's unemployment level at 4 million or more. In Iran's cities, a visitor can see hundreds of able-bodied (and often educated) men on the streets—without work. Many of the nation's city dwellers have turned to opium. This has occurred in part because the Islamic regime has banned alcohol, but farmers are also being encouraged to cultivate the poppy, which brings a high profit on both the foreign and domestic market. The *Washington Post* has reported that there are at least 2 million opium addicts—that is, half the unemployed—in Iran, with a big jump in addiction since the revolution.

As one Iranian recently returned from his country described the situation, "The remaining literate and sensible Iranians feel trapped. Their own expectations are dimming and they are left with no alternatives but



drugs. There was hardly any opium in the country before the revolution; now it is everywhere. It reminds me of what the British did in China in the last century. You look at that population; they just sit there and watch the country being destroyed, and they become politically passive."

President Bani-Sadr reportedly favors the method used today in China to deal with the plague of opium addiction: the government would administer small daily doses of opium to the addicts much as methadone is distributed in the United States, legalizing the lucrative black market.

Perhaps most horrifying because of its implications for Iran's future is the purge of Iran's educational system by the medieval mullahs. In June 1980, Mozaffar Partowmah, an adviser to Bani-Sadr, speaking at the annual convention of the Muslim Student Association in Oxford, Ohio, pledged to eliminate "all the infidels" from Iran's universities. "After that," he said, "we will move to clean out the high schools and elementary schools." Since the beginning of 1980, the Khomeini regime has been carrying out a systematic school-by-school purge.

All Iranian universities have been shut down for an indefinite period until they can be purged of Western tendencies and made "more Islamic." Iran's deputy education minister Mohammed Jawad Rajalayn says that the universities may remain closed for as long as two years, while others say that five years may be a more realistic figure. Special *komitehs*, or "purge committees," have been formed in each university to expel those students and professors who are not "Islamic" enough. Hundreds of professors at the flagship Teheran University have been driven out.

A new Islamic curriculum is being imposed on all the universities and schools to "safeguard Iran's young against deviation and decadence." The curriculum is specially designed to produce a new generation of Iranians thoroughly indoctrinated in an antiscience, antitechnology, fundamentalist world view. History textbooks are being rewritten to eliminate all references to the accomplishments of the Pahlavi dynasty and the shah. Instead of studying literature and history, grade school children are taught to repeat mindlessly such chants as, "Khomeini, Khomeini, you are light from God."

In June 1980, Khomeini appointed a seven-man committee to cleanse the country's educational system of all "imperialist influences" left by the old government. "The continuation of this same tendency, which is an unfortunate catastrophe, is the objective of foreign-inspired influences," declared Khomeini. "The aim is a deadly blow against the Islamic Republic, and any negligence in the proper carrying out of our education reforms would be outright treason against Islam and

our Islamic Republic."

For that, the penalty is death. Several Iranians, for example, were executed for not throwing away ashtrays in their government offices that carried symbols of the shah's regime.

Opponents of the Khomeini dictatorship continue to be terrorized through the deployment of fanatical mobs. On university campuses in particular, anti-Khomeini forces have been brutally attacked by the *Hizbollahi* ("Party of God") militia, whose armed gangsters are controlled by Ayatollah Beheshti and Rafsanjani. Recruiting amid the slum dwellers, the Hizbollahi has become the elite shocktroops for the larger, but less disciplined Revolutionary Guard.

### Butting the military

What's left of Iran's military is now totally in the hands of the Muslim Brotherhood. Iran's armed forces were once a technologically sophisticated training ground that produced engineers, scientists, and professionals, as well as rank-and-file soldiers with a good grasp of modern technology. It was also the bastion of anti-Khomeini sentiment. The new regime has adopted a merciless policy of annihilating the officer corps through executions and mass purges. Thousands of army officers have been sent before firing squads or simply murdered in their offices, and many more are in jail or were forced to flee the country.

The destruction of the armed forces was carried out by a small clique that took control of the Savak offices in the days immediately following the revolution, including Ibrahim Yazdi, Abbas Laghouthi, the Chamran brothers, and General Gharabaghi and General Fardoust. Through constant reshuffles and purges, changes in command, and other means, this team managed to wear down the armed forces to the point where its leadership was nonexistent, and the waves of executions after discoveries of alleged "plots" terrified other officers into remaining silent.

On top of the executions and purges, the deliberate destruction of Iran's scientific and industrial capabilities has left it without the military resources to carry out modern warfare.

Before the revolution by Khomeini's mob, Iran had one of the most powerful fighting machines in the entire Third World. Now, nearly every one of Iran's thousands of tanks, including highly modern Chieftains, is standing idle, unable to move for lack of maintenance and tank crews. Iran's air force is crumbling as lack of trained ground crews renders jet after jet useless, with many of its craft unable even to get out of the hangers.

As a result, Iran has proven militarily vulnerable to the smaller Iraqi forces, who now have the capability to eliminate the Khomeini regime before the New Dark Age descends over the rest of the Persian Gulf countries.





# Iraq: the key to an Arab economic renaissance

by Judith Wyer

Beginning in 1975, Iraq embarked on an aggressive bid to win its Arab neighbors over to an ambitious region-wide development perspective in which the developing states would coordinate their development strategies in order to overcome costly duplication of projects and maximize the growth potential of the entire region. Iraq forcefully argued that without such cooperation between Arab states, the Arab world would probably miss its opportunity for successful industrialization which its petrodollar income has offered.

Iraqi president Saddam Hussein declared earlier this year that if the nations of the region could agree on a unified development strategy, the Arab world would become an economic superpower by the year 2000. Shortly after taking power in mid-1979, Hussein stated that only through an economic buildup would the Arab world become powerful enough to challenge Israel and impose a just settlement of the Arab-Israeli conflict. He warned then and many times later that for this very reason, the Israeli government's prime minister Menachem Begin is committed to undermining Iraq's economic development, which has become the keystone to the industrialization of the entire Arab world.

In July of this year, Iraq won its first victory in its effort to forge a regional economic alliance when the Arab League finance ministers adopted an Iraqi proposal for a \$20 billion development fund for the Arab world

during a meeting in Amman, Jordan. Iraq's success at the Amman meeting was strengthened by its newly formed alliance with Jordan and Saudi Arabia. Shortly after the Amman finance ministerial meeting, Saudi Arabia announced its plans to call a heads of state summit of the Arab League just days after the American presidential elections, where a unified regional economic development strategy based on Iraq's proposal will be presented for ratification.

In August, Saddam Hussein made a sudden visit to Riyadh, the first by an Iraqi leader since the 1958 Iraqi revolution. During the visit, Hussein reportedly conferred with Saudi Arabia's King Khaled and First Crown Prince Fahd on a number of regional issues including stepping up security against the threat of insurrection sparked by Iran's Ayatollah Khomeini. Since then, Iraq has put itself forward in the Arab world as the defender of the right of the Arab nations to develop into industrial states. It is this right which Khomeini is overtly challenging.

Iraq is uniquely situated to be the foundation of an Arab economic renaissance. Iraq has not only the oil income, but the labor power, the agricultural potential, and the most aggressive commitment to the development of nuclear power as the basis for regional development.

Photo courtesy of the Planning Ministry of Iraq.

Figure 1

### Number of students, classrooms and teachers on the primary level

Year	No. of students	No. of classrooms	No. of teachers
1974-75	1,544,334	48,650	65,387
1975-76	1,692,313	51,878	70,804
1976-77	1,841,915	55,073	76,097
1977-78	1,991,055	58,215	81,154
1978-79	2,043,507	58,675	82,065
1979-80	2,188,265	60,785	87,626

Total increase: 43%  
Average increase: 9%

Figure 2

### Number of students on the secondary level

Year	No. of students	No. of classrooms	No. of teachers
1974-75	259,901	7,909	11,496
1975-76	298,810	9,086	13,212
1976-77	340,006	10,581	15,383
1977-78	389,535	12,121	17,626
1978-79	447,504	13,923	20,261
1979-80	501,463	15,601	22,688

Total increase: 90%  
Average increase: 18%

The government of France's Valéry Giscard d'Estaing has taken the lead in supporting Iraq's bid to leadership of the Arab world. A communiqué from a meeting between French premier Raymond Barre and Saddam Hussein last year stressed the positive precedent which Iraqi-French relations has established for future relations between the industrial sector to the so-called Third World.

#### The role of France

The centerpiece of Franco-Iraq economic relations is the commitment by Paris to build a nuclear training facility for Iraq. The newspaper *France-Soir* recently commented that the facility will produce a new cadre of scientific elites for the Arab world, and in so doing solve the most pressing problem of Arab development, the creation of skilled and scientifically trained labor power.

An American businessman with experience in Iraqi development recently commented that Iraq "has already become a key education center for the nations of the Arabian Gulf. . . . Iraq is increasingly making itself a major component of economic life in the area." Both Iraq and France have charged Israel with attempted sabotage of Iraq's burgeoning nuclear industry.

In 1978, days before the French-built training reactor was to be delivered to Iraq, a terrorist bombing destroyed the reactor and the plant in which it was built. Israeli intelligence was widely accused by both official and unofficial French government sources as being guilty of the action. A few months later, during a visit to Paris, a nuclear physicist working for the Iraqi government was assassinated. Then, last month, both the Israeli chief of staff and the deputy defense minister publicly urged Iran to take advantage of the Iran-Iraq war by bombing Iraq's nuclear facility. Within 24 hours, the facility just outside of Baghdad was partially dam-

aged by an air attack, which both Iraqi and French sources declared was the work of the Israelis and not the Iranians.

The Iraqi government has identified Great Britain as being behind Israel's daring attacks on Iraq's efforts to develop nuclear power. Following a caustic attack on Iraq's nuclear development program by British parliamentarian, Winston Churchill, Jr., in early August, Iraq issued a strong series of attacks on Britain. The Iraqi daily *Al Jumhuriyah* editorialized on Aug. 11 that "British circles are launching a frenzied campaign against Iraq's peaceful nuclear development . . . and are thereby revealing their hidden hatred of Iraq and their complete partiality in favor of the Zionist entity."

Shortly thereafter, Iraq penalized Britain for its actions by withdrawing lucrative development contracts from British concerns, and re-awarding them to French companies.

#### Making the deserts bloom

The Iraqi News Agency, days after the British attacks on Iraq's nuclear program, issued a defense based on the impact of nuclear energy for the badly needed agricultural development of the Mideast: "Iraq intends to utilize nuclear energy notably to fertilize its western deserts. . . . [T]he transformation of this region will have important climatic and agricultural repercussions and will serve as a model for analogous experiences in other parts of the Arab world, which have the largest deserts in the world."

Iraq is putting a heightened priority on agricultural development in its new five-year plan for 1980-85. Iraq intends to renew the ancient agricultural belt known as the Fertile Crescent through a massive land reclamation and irrigation program that will bring 3.5 million hectares of land under cultivation by no later than 1990. If Iraq's agricultural plan succeeds, it will be able to be

Figure 3

### Number of students in industrial education

Year	No. of students	No. of classrooms	No. of teachers
1974-75	8,719	277	590
1975-76	13,259	429	730
1976-77	18,540	608	1,035
1977-78	25,250	840	1,425
1978-79	33,105	1,102	1,870
1979-80	42,272	1,409	3,337

Total increase: 385%

Average increase: 77%

Figure 4

### Number of students in agricultural education

Year	No. of students	No. of classrooms	No. of teachers
1974-75	4,176	150	237
1975-76	5,784	205	327
1976-77	8,268	289	439
1977-78	11,986	409	626
1978-79	19,490	554	851
1979-80	21,650	722	1,138

Total increase: 418%

Average increase: 84%

not only self-sufficient agriculturally but will be able to feed the entire Gulf region and more by the turn of the century. The Arab oil-producing states have been particularly sensitive to developing their food-producing capability given growing threats from the West of withholding food to the oil-producing states in retaliation for their oil-pricing policies.

Saddam Hussein calls Iraq's immense agricultural potential "permanent oil," referring to its economic benefits after its oil reserves are depleted.

About one quarter of Iraq's total 438,000 square kilometers is suitable to agriculture. Though Iraq is the only Arab state with adequate rainfall and rivers to back up a major agricultural industry, it was not until the 1950s that Iraq began to develop its land. At that time 70 percent of Iraq's population was engaged in subsistence agriculture. By 1973 Iraq's growing agriculture sector was accommodated by 38 percent of its population. Iraq has adopted a plan of high-technology food and livestock production, and has begun to reorganize the once feudal land ownership into large cooperatives, known as agrobusinesses.

Statistics from the Iraqi government show that during British colonial occupation of Iraq in the 19th and 20th century, the percentage of rural Iraqis increased. Since the 1968 revolution which installed the current Baath Party regime, Baghdad has worked to steadily reduce the percentage of Iraqis engaged in agricultural production, through the introduction of Western technology.

In 1958 when the British-controlled Iraqi monarchy was ousted in Iraq's first nationalist revolution, the number of tractors in Iraq was 2,400. By 1973, five years after the Baathist revolution, there were 13,000 tractors employed in the agricultural sector. The number of water pumps for irrigation had climbed from 5,400 to over 15,000.

The 1972 nationalization of Iraq's oil industry marked a qualitative takeoff point in Iraq's development momentum. At this time, Baghdad inaugurated a series of massive water and land reclamation projects aimed at making the lands between the Tigris and the Euphrates rivers and the land north of Baghdad, south to Nassiriyah, cultivable.

In April 1973 the first major drainage project was launched, the purpose of which was to purify the highly saline soil between the lower area of the Tigris and Euphrates. The once fertile lands of the two rivers have become saline over the centuries due to lack of cultivation. In 1975, Iraq launched another canal project, known as the Tharthar Project, which was the first of its kind in the world in terms of its massive water discharge capacity. The Tharthar Project, which includes a man-made lake near the meeting points of the Tigris and Euphrates, is considered to be the most important project launched by Iraq, since it will allow for the control of the waters of the Tigris and Euphrates during flood and drought seasons.

### An opportunity for U.S. business

It is precisely within this area of agricultural development that Iraq is increasingly looking for American technology and know-how. A Commerce Department source reports that in the last 12 months, Iraq has increasingly begun to waive its anti-Israel boycott in order to get "the best America can offer." According to *Foreign Economic Trends and Their Implications for the United States*, a publication released by the Commerce and State departments, Iraq's developing agricultural sector offers the greatest opportunities to U.S. business. A consultant working with Iraq in developing a new canal and drainage system commented: "If done right it will last for hundreds of years and is a good long-term investment."

The French trade journal *MOCI* reported in August that each new irrigation project Iraq will develop over the next decade will irrigate no less than 15,000 hectares. Included in this plan will be a number of dams that will provide a major source of hydroelectric power. In its 1980 budget alone, the Baghdad government has increased the budget for irrigation and land reclamation by 30 percent to over \$700 million. At present Iraq is putting emphasis on completing projects already under construction. During the next five years Iraq will initiate projects of unprecedented size. Most important will be the giant \$1 billion plan for the Mosul area in northern Iraq, which will include a multipurpose hydroelectric project centered around a 12,800 cubic meter capacity dam, a hydroelectric station which will produce 975 megawatts of electricity. The project will irrigate 230,000 hectares.

The Bokme Dam, presently under construction in northern Iraq on the Greater Zab River, will produce 1,000 to 2,000 megawatts of electricity. By 1984, Baghdad hopes to have completed the Haditha Dam on the Euphrates River near the Syrian border.

## Iraq's nuclear program

The 1956 establishment of the Iraqi Atomic Energy Commission was the initial step toward developing the capabilities required to bring Iraq into the nuclear age. According to government statements, Iraq intends to utilize nuclear technology for desalination purposes and in medicine, as well as electrical power production.

Research and isotope production became possible with the 1968 creation of an institute for nuclear research at Tuvait, near Baghdad, with assistance from the U.S.S.R. Iraq signed the nuclear nonproliferation accord a year later. Since 1975 Iraq has signed accords for cooperation in the sphere of peaceful utilization of nuclear energy with the Soviet Union and France and has established relations along similar lines with Italy and Brazil to obtain uranium and technological know-how.

Iraq's research center is planned to be fully operation within the next two years. It will train 600 engineers and technicians and will operate two nuclear reactors, Tamuz-1 and Tamuz-2, with French-supplied enriched uranium. Plans for a 600 megawatt power plant are now being negotiated with Italian and French firms.

Water development has been given high priority by a number of other Arab states. Saudi Arabia is expected to spend \$2.3 billion on agricultural development and \$4 billion on water development and desalination between now and 1985. Recent reports indicate that Jordan will be increasingly dependent upon Iraq's water resources in order to expand its own agricultural productivity. This summer Jordan initiated a project to draw literally hundreds of millions of cubic meters of water a year into Jordan from the Euphrates in Iraq. The London *Financial Times* reports that the Jordan Valley Authority has requested a study on the water transfer project that would consist of "several pumping stations, large diameter pipelines, water treatment plants and water storage reservoirs." Earlier this year the JVA circulated a report warning of the long-term prospects for a water shortage which it concluded only Iraq could remedy.

## Education, the key to sustained growth

The Baghdad government has increased its fight against illiteracy, as demonstrated by the increasing government expenditures for education and the dramatic increase in the number of schools throughout the country. According to Iraqi government statistics, there was a 43 percent increase in the number of primary students in Iraqi schools between 1974 and 1980, and a 90 percent increase in the number of students at the secondary school level.

The biggest increase has come in the category of Iraqi students learning industrial skills. Between 1974 and 1980 the increase was 385 percent, from 8,719 students to 42,272 students. Agricultural training schools saw the biggest increase of 418 percent from 4,176 students to 21,650 students over the same period of time.

Over the last three years, the Iraqi budget for education, which includes allocations for education and for higher education and scientific research, nearly doubled. According to *Middle East Economic Digest*, the number of students enrolled in Iraqi schools increased by nearly 9 percent in 1979 over the previous year to 3,646,791—almost a quarter of Iraq's total population.

Iraqi government statistics indicate a substantial increase in secondary schools over the last year by 15.6 percent. This signifies the highest-ever number of Iraqi students continuing their formal education beyond compulsory primary school level. *MEED* reports that the number enrolled in vocational schools for 1979 were double the 1976 total and climbed by 11 percent during 1978 to 53,420.

Saddam Hussein and his predecessor, Ahmed Hassan Abu Bakr, put primary emphasis upon achieving

self-sufficiency in scientific and technical personnel. As a result, almost all industrial contracts that Iraq signs with a foreign concern include provisions for training local personnel to run and maintain the factory after it is completed.

### **Inter-Arab obstacles to development**

One of the most serious impediments to Iraq's development, and the economic growth of the entire Arab world, is the longstanding feud with Syria. Just before the outbreak of the Iranian revolution in 1978, Iraq and Syria were on the road to resolving their ideological differences. But it was pro-Khomeini elements inside the Syrian leadership who halted the Iraq-Syria dialogue.

A manifestation of that dispute has been uncertainty over the availability of water flowing from the Euphrates River from Syria into Iraq. Syria has withheld water by constructing a dam, which has sparked heated differences between Baghdad and Damascus. Furthermore, Iraq needs transit access to Syrian ports to relieve the bottlenecks which have jammed up Iraq's tiny port facilities on the Persian Gulf. During that brief effort on the part of Damascus and Baghdad to overcome their differences, a wide array of economic cooperation agreements were worked out; had they come to fruition, they would have made the Syrian-Iraqi alliance the most economically and militarily powerful in the Arab world.

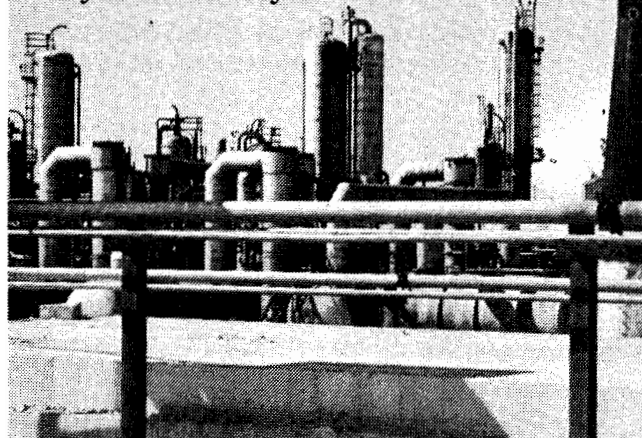
Since the collapse of the Iraq-Syria dialogue, Iraq has increasingly turned towards Jordan. Since the 1978 Arab summit Iraq has begun to provide Jordan with a substantial yearly grant of \$1.1 billion. Not only are Iraq and Jordan talking about major water-sharing projects, but Iraq has made a sizable investment in the expansion of Jordan's port facilities on the Gulf of Aqaba, and has begun a series of projects to build transportation lines between the Jordanian port and Iraq.

Jordan, Saudi Arabia, and Iraq are at the same time intensifying their cooperation to provide regional security. This cooperation has won the full support of France. It is expected that a new Arab Organization for Industrial Development, which will produce arms for the Gulf states, will be centered in Iraq. The French firm Thomson-CSF run by Philippe Giscard d'Estaing, the cousin of the French president, is expected to help create the AOI, with funds from the wealthy oil-producing Gulf states.

The decision to escalate regional security, which has yielded France close to \$8 billion in defense contracts with the Arab world, was the result of the perceived threat to Arab security by the regime of Iran's Khomeini, on the one hand, and the aggression against the Arabs in Lebanon and the West Bank by the Begin government on the other.

## **The emergence of the Iraqi republic**

by Robert Dreyfuss



For many years, it has been a constant theme in the works of American, British, and Israeli political scientists that, as a nation-state, Iraq ought not to exist at all. Because of the long-established tribal and ethnic differences in Iraq, it has been commonplace in certain circles to declare that under the slightest pressure Iraq would disintegrate into a number of squabbling mini-states. "There is no 'Iraqi nation,' nor is there a tradition of cooperation to cement the various communities," wrote Uriel Dann, an Israeli intelligence officer, in 1968.

It was in that year that a political-military combination led by a relatively unknown civilian leader of the Iraqi branch of the Arab Baath Socialist Party, Saddam Hussein, established the government that still rules Iraq today. Since that time, despite great adversity and difficulties, President Saddam Hussein has confounded every prediction and forecast about the inherent instability and essential ungovernability of Iraq.

Against all odds, under Saddam Hussein, Iraq has emerged as a solidly founded, developing Arab republic which, in an area of constant turmoil and terrorist insurrections, is battling to secure its future against the threat of spreading Muslim fundamentalism and ultraleftist politics. The accomplishment of Saddam Hussein is that he has managed, with few resources, to do what was alleged to have been impossible: to hammer Iraq into shape as a nation, unifying its diverse communities and ethnic blocs in support of Iraq's national effort.

What makes the effort all the more remarkable is that Iraq has achieved what it has so far despite the lack of a qualified leadership cadre. The Iraqi leadership, most of

Photo courtesy of the Oil Ministry of Iraq

whom are young and relatively unsophisticated in international politics, is severely lacking in the maturity and resources of more established nations, even in the Arab world. Egypt, for instance, with a highly educated elite, or Syria, which has a smaller, but still skilled and sophisticated kernel of technocrats and intellectuals, far surpass Iraq in terms of personnel pools on which to draw. But Iraq, because of its long history as a virtual colony of Great Britain, which kept Iraq backward and undeveloped, did not develop much of a national elite until the most recent times.

### **The key to success: 'Baath' means renaissance**

Nevertheless, it is a testimony to the leadership of the inner circle around Saddam Hussein that Iraq has managed to survive as a nation despite a dozen political shocks, from assassinations and attempted coups d'état to a virtual civil war sparked by CIA-financed Kurdish tribesmen in 1973-75.

That accomplishment derives from a single, overriding reality, namely, that Iraq's leadership has managed to instill in the country's population a deep loyalty to the concept of economic development and social progress. In nearby Iran, it was the failure of the shah to transform his commitment to economic development into a political institution among the backward peasant population that made the shah's regime an easy mark for the Islamic revolution of Ayatollah Khomeini and his mob. But, according to all accounts, the Iraqi population is convinced that its future in terms of economic progress is inextricably linked to the continuation of the regime of the Baathists and President Hussein.

### **The Kurdish rebellion**

A case in point is the Kurdish revolt. After the defeat of the Kurdish insurrection at great cost in 1975 and the signing of the Iraq-Iran agreement of that year, the military power of the feudalist Barzani tribes was broken. But the potential still existed for another revolt among the extremely backward and uneducated mountain-dwelling Kurds, long suspicious of the central government in Baghdad. In the wake of the war, Iraq's policy toward the Kurdish area was simple and straightforward: development. Withdrawing its tanks, Iraq sent bulldozers and construction equipment. Schools, hospitals, roads, factories, and modern agricultural institutions were established all over Kurdistan, which, until then, had been the most undeveloped area of the entire Middle East.

The nation was mobilized for the Kurdish development effort. Iraqi newspapers proclaimed the effort to develop the Kurdish region as an essential task of national security. Major Kurdish projects were de-

scribed at length in the Iraqi media, and the area rapidly became a showcase for visitors. Anxious to combat hostile propaganda from exiled Kurdish feudalists in London, who resented the breakup of their fiefdoms and the transformation of Kurdistan into a modernizing area, the Iraqis took foreign visitors on guided tours of Kurdistan to show them the massive construction projects in an area where many people had never seen electricity.

For many Iraqis, the economic development battle to secure Kurdistan symbolized the most urgent requirement of the Iraqi state. As we shall see, Iraq has had a long and bitter history of division and destabilization.

### **The emergence of a nation-state**

In the spring of 1980, for the first time in Iraqi history, national elections were held for an Iraqi constituent assembly, or parliament. Despite continuous border tensions with Ayatollah Khomeini's Iran and attempted political assassinations by Khomeini partisans in Iraq, the parliamentary elections went smoothly and, in every district, including formerly troubled Kurdistan, delegates to the assembly contested for seats.

The election of Iraq's parliament was little noticed in the United States, receiving no more than a footnote in the major American daily newspapers. But it was an important milestone for Iraq. For the first time the diverse ethnic, tribal, and religious sectarian communities of Iraq, and its varied economic regions, its towns and its cities, were unified in a single representative institution symbolic of the nation-state of Iraq.

But it was not always that way.

### **The Fertile Crescent: flourish and decline**

The territory that is now Iraq was once merely a shapeless, undefined province of the rotting Ottoman Empire in the period before World War I. Of course, since time immemorial, the rich river valley lying between the twin Tigris and Euphrates rivers had been a flourishing civilization and a coherent and well-organized political entity. According to some accounts, the Tigris-Euphrates region was the very cradle of civilization itself, the legendary location of the biblical Garden of Eden. Throughout the centuries, Iraq existed as a more or less secure and developing region, culminating in the Golden Age of the renaissance that followed the founding of the city of Baghdad in 754 A.D. by the partisans of the Muslim Abbasid Revolution. The civilization that took root in Baghdad under the caliphs then led to a vast expansion of Iraqi and Arab commerce and agricultural development, so that in the ninth century Iraq is said to have supported a population





Photo courtesy of the Iraqi government

*Saddam Hussein at the Presidential palace with students.*

twice or even three times its present 11 million people!

But with the collapse of Baghdad, Iraq went into a long period of decline. With the growth of British colonial and imperial influence in India and the Persian Gulf, a weakened and economically devastated Iraq, then a province of the Ottoman Empire, fell gradually into the British sphere of influence.

**Before the revolution:  
economic, social, religious divisions**

At the start of the 20th century, Iraq was politically fragmented, economically divided, and virtually devoid of anything even resembling an Iraqi national elite.

In the north of Iraq, for instance, the cities of Mosul and Kirkuk were closely linked to Turkey and Syria, and their leading feudal and semifeudal families maintained close relations with the authorities of the Ottoman Empire and the Levantine trading elite of the Mediterranean coast. At the same time, the city of Baghdad and most of central Iraq, including the Muslim Shi'ite holy cities, were essentially no more than an appendage of Persia, and the leading families of Baghdad gained their livelihood from commerce with caravans into Persia and central Asia, in isolation from the

much closer towns of northern Iraq.

Meanwhile, yet a third Iraqi pole formed around the southern port of Basra, whose merchants and seagoing traders looked mainly to the Indian Ocean states, and India itself, as their lifeline.

In effect, Iraq—even before it emerged as a state—was divided into three distinct entities in political-economic terms: Mosul-Kirkuk, Baghdad, and Basra.

Two other major cleavages existed to prevent or retard the formation of a positive Iraqi national awareness.

The first was religious. Three broad divisions existed. In the south, Arab Shi'ites predominated; in the north, Sunni Arabs; and in the northeast, Kurdish Sufi mystical brotherhoods and secret societies were the rule. Added to these divisions, sharp divisions existed between townsmen and countrymen.

**The British enforce backwardness**

With the establishment of the British-sponsored monarchy in Iraq in the 1920s, the British deftly encouraged the perpetuation of all these divisions. The British-authored official Iraqi Constitution of 1925, for instance, provided for the recognition of backward tribal

customs of cult practices as official under Iraqi law outside the towns, while asserting an entirely different code of laws within the borders of arbitrarily defined urban areas! At the same time, the British encouraged the development of sectarian "identities," by such measures as providing by law for the teaching of the Kurdish language and Kurdish "history" in the Kurdish areas of Iraq.

But the most devastating legacy of the British administration in Iraq, and then the long period of the pro-London monarchy which was finally overthrown in 1958, was the almost universal suppression by London of all tendencies for the formation of a national elite. Until 1958, education in Iraq was almost nonexistent, and illiteracy was nearly universal. The extent of Iraqi social and economic deprivation before 1958, when it became widely known, shocked the outside world after the revolution.

### **Decade of instability**

Between 1958 and 1968, Iraq was ruled by several governments that tilted back and forth between highly conservative, landlord-dominated regimes and leftist-radical regimes like that of Gen. Abdel Karim Kassem. What marked the 1958-1968 period in Iraq was a growing nationalist tendency, particularly in matters linked to the oil industry. But their naive efforts to stabilize Iraq fell victim to repeated leftist and rightist attempts to keep the country off balance. For the most part, the left and the right in Iraq during this period were led by elements associated with the British secret services and the old British colonial administration.

For instance, on the left the British and the Bertrand Russell circles in London were largely the initiating force behind the creation and growth of the Iraqi Communist Party (ICP). The ICP drew its strength from the Shi'ite oil workers in the south of Iraq and from the wild Kurdish tribesmen in the north. Even to this day, the combination of Communists, Kurds, and Shi'ites is the base of British and CIA operations against the Iraqi leadership.

At the same time, remnants of the old Iraqi landed families who survived the 1958 Jacobin-style terror continued to serve as right-wing conduits for British influence in Iraq.

### **Power struggle after the revolution**

After 1968, with the emergence of the Baath Party government, the process of developing a nationalist Iraqi consciousness that would supersede the existing old tribal and religious divisions began to take shape. Within the Baath Party itself, two broad factions contended for power:

*First*, the radical and often extremist circles linked to the ultraleftists, to the Assad-Jadid clique in Syria, to

the pro-Chinese currents in the Arab world, to the Palestinian terrorist groups like George Habash's Popular Front for the Liberation of Palestine (PFLP), and finally to the mystical pan-Arabism of Michel Aflaq; and *second*, the legitimate Iraqi "nationalists" led by Saddam Hussein and his closest aides, such as Tariq Aziz, Taha Yasin Ramadan, Adnan Khairallah, and several members of Hussein's own family.

The issue that separated Saddam Hussein's faction from the others was the question of whether or not Iraq would proceed from the basic necessity to develop itself as a nation-state. The radicals and pan-Arab ideologues were prepared to sacrifice vital Iraqi national interests for the pursuit of confrontation with Israel. Instead, Saddam Hussein argued that Iraq—and the Arabs—must put a premium on basic economic development, in the belief that Israel's edge derived from superior education and economic development in comparison to Arab backwardness.

In recent years, the emergence of Saddam Hussein into prominence as the real leader of Iraq has taken place at the expense of the more extremist and often unstable factions mentioned above. The eclipse of Michel Aflaq, the rigid ideologue of the Baath Party, who is now merely a figurehead in Iraq, helped to erase Iraq's image internationally as an ideologically rigid, almost fanatical nation. The gradual break by Iraq with the leftist Palestinian groups like the PFLP, and finally the public ouster of Habash's and Nayef Hawatmeh's gangsters from Baghdad in 1979 also improved the Iraqi standing throughout the Arab world and internationally.

An important turning point occurred with the determined purge of a host of agents of British intelligence, Israel's Mossad, and the KGB of the Soviet Union in 1979, just before and then after Saddam Hussein assumed Iraq's presidency. This eliminated a dangerous group of Shi'ite followers of Ayatollah Khomeini, a group of Kurdish dissidents, some Iraqi Communists, and a few outright British agents, in a move generally viewed as decisive in consolidating Saddam Hussein's power.

### **Future tests for Iraq**

Because of Saddam Hussein's uncompromising action last year, Iraq is now more free than at any time in its recent past of serious internal challenge. For this reason, it is able to pursue its war to crush Ayatollah Khomeini's mullahs in Iran with little risk of instability on the home front. Given the history of Iraq, that is a remarkable achievement. Now, the crucial test is yet to come: will Iraq's leadership have the skills and the intelligence to successfully complete the transformation of a backward, peasant nation into an emerging industrial republic?



# A study in contrast: Baghdad and Teheran state their war aims

What Iraq sees as its political aim in the current conflict with Iran was said during an Oct. 4 press conference by Iraqi foreign minister Saadoun Hammadi at the United Nations in New York.

In response to a question from an *EIR* correspondent, Hammadi stressed that Iraq was preserving the sovereign nation-state against the incursions of Ayatollah Khomeini's movement.

"We are a country," Hammadi said. "The world is made up of nation-states. The political system of each country must be a matter of its own choice. Each country should be free to shape its own future. Mr. Khomeini, however, believes in world Muslim revolution. In the name of Islam, he believes he has the right to carry out an aggressive policy, a policy of expansion. Instead, we believe that the system of Iran must be left to the nation of Iran and that of Iraq to the nation of Iraq."

Although the most concise statement of this central aspect of the war to date, Hammadi's comments were completely blacked out from the *New York Times*, the *Washington Post*, and every other self-professed newspaper of record in the United States.

Hammadi's comments elaborated in the speech made Sept. 17 by Iraqi president Saddam Hussein in which the Iraqi leader explained the reasons behind Iraq's abrogation of its 1975 border treaty with Iran.

Speaking before a special session of the Iraqi assembly, Hussein declared: "We say before you, before the Arab nation, and before the entire world, that we have unmasked the false face by which the ruling circle in Iran came to power. This clique has falsely used the face of religion to expand at the expense of the Arab sovereignty and the nobler Arab interests. This clique has falsely used the face of religion to foment sedition and division among the nation's ranks despite the difficult circumstances through which the Arab nation is passing. . . ."

Hussein then made a gibe at Iran's pretensions to represent the interests of the Arab world: "The clique in Iran is using the face of religion to flame fanaticism, resentment, and division among the people of the area to serve the designs of world Zionism, whether this clique realizes it or not."

The sovereignty of the nation-state and its extension into the realm of military strategy have been features of statements made by Hammadi throughout October.

*In an Oct. 4 speech to the United Nations, Hammadi declared:*

Iraq has been and will continue to be one of the most committed countries to the nonaligned policy, which is based on the principles of nonintervention in domestic affairs, respect for the national sovereignty of all countries, and concern for the world's peace and security. In addition, our foreign policy permits no indulgence whatsoever concerning the independence of Iraq and the Arab countries, their sovereignty and territorial integrity, and intervention in their affairs by any party under any pretext or cover.

. . . Any disruption in the bases of equality of relations among countries will certainly harm the rights of sovereignty of one of the parties. To prevent such a phenomenon—which frequently has led to tension and crises—it is inevitable that international cooperation be based on rules whose objectives are to realize mutual interests within the framework of respect for sovereignty and noninterference in others' domestic affairs. This is particularly true when applied to neighboring countries. Geographic reality imposes on these countries the need to remain committed to the good-neighbor policy. . . .

From this rostrum, Iraq would like to stress several points which we have already frequently declared:

1. Iraq was not responsible for the course of events in its armed conflict with Iran. The ruling authority in Iraq is held responsible for this.
2. Iraq is defending its legitimate rights of sovereignty, honor, and dignity. It is prepared to make all the necessary sacrifices to safeguard these values.
3. Iran should realize that we will never relinquish the Arab nation's interest in and right to lead a peaceful and prosperous life. We will repulse any attempt to interfere in our affairs, sovereignty, and pan-Arab interests.
4. Iraq realizes fully the importance of safeguarding

international peace and security and the world's economic interests, particularly those pertaining to the flow of oil. We will do our utmost to prevent the ruling authorities in Iran from adversely affecting those interests. . . .

*From the standpoint of his differentiation of the attitudes of Iran and Iraq, Hammadi has evaluated the prospects faced by each in the war. In an interview in the Oct. 13-19 Paris An-Nahar al-'Arabi wa ad-Duwali, Hammadi commented on reports that the U.S. would send spare-parts reinforcements to Iran with the following comment: "Spare parts do not change the course of wars. War is an army, arms and materiel, domestic morale, government, a united leadership and a plan of action, as well as far-sightedness, diplomacy, politics, international relations and internal cohesion. Therefore spare parts absolutely do not change the course of war."*

*The most comprehensive elaboration of the Iraqi viewpoint was made by Hammadi in an Oct. 16 speech before the United Nations Security Council. In this speech Hammadi presented an extensive dossier documenting exactly how Iraq's nation-state sovereignty was being violated by Iranian actions.*

We have been Iran's neighbors for a long time. We share cultural, religious, and humanitarian ties with the people of Iran. We have long been convinced that the policies and practices of the successive Iranian regimes clearly represent territorial expansion. I am not going to bore the council with detailed historical examples, as this is neither the time nor the place for such details. I will only recall a fact from recent history—one that invites ridicule. We witnessed the dreams of the Shah of Iran and his desire to impose his power and control not only over the Arab Gulf region but over the Indian Ocean as well. All of us can now see Iranian president Bani-Sadr announcing that there are no borders between Muslim countries. This announcement does not reflect a policy of freedom and open doors among the Islamic states, for the Iranian government claims as its own several Islamic states, such as Bahrain, Yemen, Oman, and the capital of my country. . . .

[In late 1979], Khomeini unmasked his real intentions for the Islamic revolution when he decided to export it to Iraq and the Gulf area. Sabotage and terrorist operations began in our country, forcing us to take the necessary measures to protect our internal security. . . .

All of these actions were coupled with an information campaign of a religious fanaticism never before witnessed in the region. Indeed, Iraq was not the only theater for these operations. Similar operations were carried out in Kuwait, Saudi Arabia, Bahrain, and the UAE. . . .

Khomeini's plan for the so-called Islamic revolution was intended to disturb the region by inciting racist

religious hostilities. We in Iraq reject such a reactionary way of thinking. Our trend is a secular one, which does not mix religious and government affairs. Revolutions cannot be imposed from the outside against the masses' free will. This obliged us to confront Khomeini's theories and practices in defense of our nation, our prosperity, and our independence. . . .

I would like here to repeat some of the statements that top-level Iranian officials have made against Iraq and the Arab countries. In a speech made on behalf of his father on 21 March 1980, Khomeini's son said: We must exert maximum efforts to export our revolution to other world countries and must give up the idea of keeping the revolution within our borders. On 8 March 1980, Iranian foreign minister Ghotbzadeh said that his government had decided to topple the Iraqi government. In an interview with *An-Nahar al-'Arabi wa ad-Duwali* magazine, issue no. 151, dated 24 March 1980, Iranian president Bani-Sadr said that Iran would neither relinquish nor return the three Arab islands which Iran had occupied by force in 1971, and that Arab countries, the UAE, Qatar, Oman, Kuwait, and Saudi Arabia are not independent countries. On 19 June 1980, *Jomhuri-ye Eslami* quoted Khomeini as saying that the Iraqi people are duty bound to liberate themselves from the enemy's claws. The Iraqi people and army are duty bound to rise against this non-Islamic party in Iraq. In an interview on Monte Carlo radio dated 30 June, Ghotbzadeh rejected the idea that the Arabs have the right to regain the three islands of Abu Musa and Greater and Lesser Tunb, as well as the Gulf, because, as Ghotbzadeh says, all countries in the Gulf are historically part of Iranian territory. In an interview with *al-Khalij* paper on 1 May 1980, in reply to a question on whether he considered Khomeini's statement to the effect that if Iraq pursues its present course, he would leave for Baghdad to liberate the Iraqi people to be interference in Iraq's domestic affairs, Ghotbzadeh replied: This cannot be considered interference in Iraqi affairs, because to us the Islamic nation is one and Imam Khomeini is our religious leader and that of the Iraqi and other Muslim peoples. Khomeini feels he has the same responsibility to Iraq as that he has to Iran. . . .

We are ready to offer all necessary sacrifices to safeguard our legitimate rights and vital interests. Iraq has expressed its anxiety in regard to the world's economic interests, which might be adversely affected by these events. Allow me to point out that Iraq is determined to safeguard other states' economic interests as best it can. Therefore, any attempt to internationalize the nature of the problem will lead to further foreign intervention in this part of the world, which we sincerely wish to keep outside the scope of influence and rivalry of the great powers, for the sake of international peace and security and of the world's economic prosperity. . . .

## Iraqi charges confirmed

A leading ideologue in Iran, Hassan Ayat of the dominant Islamic Republican Party, has confirmed the substance of Iraq's charge that the Khomeini regime is determined to spread Islamic fundamentalism throughout the Arab world.

In an Oct. 19 interview with the Italian daily *Corriere della Sera*, Ayat stated: "The war with Iraq has been a positive event: not only because it will permit us to resolve certain internal problems, but also because it will tend to cause a settling of accounts with the U.S.-allied regimes in the region. It is an excellent opportunity to export the Islamic revolution."

Ayat then portrayed the internal political chaos and factional in-fighting that has characterized Iran for the past weeks as a positive event in the furtherance of these "export the revolution" ends: "On the contrary, the struggles and the purges have strengthened us. The war will strengthen us further. To begin with, it has allowed us [the hard-line clergy—ed.] to take control of the armed forces."

As Ayat's statements indicate, Iran is trying to use the war to undermine the nation-states of the Arab-Islamic world and to bring about the purification of its own internal revolution, in a manner reminiscent of the 1960s Chinese Cultural Revolution and the mid-1970s events in Cambodia. This is the mentality behind the repeated exhortations on Teheran radio for Iran's citizens to seek "martyrdom" by engaging in "human wave" street-fighting tactics against Iraq's advancing armed forces.

The mentality involved on Iran's side was best summed up by Ayatollah Khomeini, in an Oct. 21 statement broadcast over Radio Teheran. According to the Teheran source, Khomeini had been challenged by a delegation of Islamic ambassadors about the negative consequences Iran was facing because of its isolation in the world diplomatic and political arena. Khomeini responded: "Actually we welcome this sort of isolation with open arms, for we want to be isolated. As long as the hands of the superpowers and the other powers are not cut short, we cannot do what we want. We must become isolated in order to become independent, we must become isolated forever. We have no fear at all of political, economic, and social boycotts."

Neither of these statements were reported in the self-professed American newspapers of record, since they portrayed too unambiguously the nature of the regime that the Carter administration has been so busily arranging a geopolitical deal with. Iraq's media, by contrast, has had no such inhibitions and has zeroed directly in on the Iranian leadership's state of mind.

*From an Oct. 11 radio broadcast by Baghdad's Voice of the Masses:*

Khomeini is an old man. He is so senile that his brain cells are no longer able to distinguish between good and bad, goodness and evil, injustice and justice, and between the flock and the herd. His senility has driven the Iranian peoples and the country to internecine fighting, destruction, and ruination. To Khomeini, singing and music are taboo; imported meat and poultry are taboo; television and the camera are taboo; education and schools are taboo. To Khomeini everything is banned. The man is senile. He cannot distinguish between victory and defeat. . . . He is a senile old man, so please excuse him.

*On Oct. 17, Baghdad Domestic Service commented on the odd alliance between the U.S. and Iran and its consequences for the Iranian people:*

There is no doubt that the Teheran government is stricken with a fever, reflected in statements that are so funny that one must pity Iran's peoples, who have happened to come under the mercy of ignorant mentalities, good at nothing except lying, falsifying, and obliterating facts.

One who follows the series of eccentric statements blared out every now and then from this or that Khomeini official will realize that Bani-Sadr, Khalkhali, Rajai, Rafsanjani, and others are stricken with Khomeini fits that make them hallucinate, talk nonsense, and direct the Persian propaganda trumpets in the same direction.

What is strange about these propaganda organs is that they attack the United States and curse the U.S. officials at the same time that Rajai throws himself in the lap of President Carter and Secretary of State Muskie. The Persian planes that are striking residential areas in Iraq are of U.S. manufacture. The tanks that the Persians left behind when they took to their heels are of U.S. manufacture. The ammunition used to fill the barrels of the Persian guns is of U.S. manufacture. Nevertheless, Teheran radio attacks the United States. Regardless of the reason, the Iranian peoples are the victims, the ones who are meant to be deceived and to keep silent about all of the rash acts carried out by the Qom and Teheran gangs. These people are meant to be offended and enslaved.

Now is the time of the U.S. hostage card. The Persian propaganda trumpets have to find a reasonable cover to gag mouths of the subdued Iranian peoples. Will they say the heads of the hostages in return for spare parts, ammunition, and new weapons? What sort of haggling, dirty game, and disgraceful role is being placed by the Persian propaganda trumpets? What future will face the peoples of Iran, who are afflicted by a handful of ignorant heretics, enemies of humanity.

## Polish 'experiment' moves into danger zone

by Rachel Douglas

As you read this report, Soviet tanks may already be rolling across the Polish countryside. If they do, now or some weeks ahead, the predominantly British- and Jesuit-connected destabilizers of Poland will have achieved their goal of destroying independent European policies on East-West relations and manipulating confrontation between the superpowers.

Television newscasts of independent trade-union leader Lech Walesa working the crowds in Krakow and Gdansk may give the appearance of a spontaneous popular outpouring, but he is proceeding according to a script penned chiefly in London. The Poles who turn out to cheer him are being set up.

The intelligence networks that orchestrated the Polish crisis in August are gunning for a new escalation that could culminate in a Soviet intervention. Highly placed sources in France and West Germany believe that although the dispatch of Warsaw Pact troops into Poland is the policy option of last resort for Moscow, exactly such a decision could come soon after the Nov. 4 United States election.

The London *Daily Telegraph*, often a platform for London-based circles who give orders to Polish dissidents, stated editorially Oct. 17 that Poland was safe from Soviet invasion until Nov. 4 because the Russians "do not want to give certain victory to Mr. Reagan." But the *Telegraph* projected that Poland would slip "out of effective Communist control," suggesting that the U.S.S.R. would inevitably make its move.

Since that assessment was published, two growing clashes—between the trade unions and the Warsaw re-

gime and between Poland and its Warsaw Pact neighbors—have lowered the threshold. On Oct. 29, a forum at West Germany's Konrad Adenauer Foundation, featuring Russian and Polish emigrés with their fingers on the pulse of the Polish experiment in liberalization, was dominated by a mood of expectation that its days are numbered. Leszek Kolakowski, a prominent emigré member of the KOR dissident group who works from All Souls College at Oxford University, predicted "a bloody revolution" would break out in the face of Soviet troops—and soon, because Moscow was "only waiting until after the U.S. elections."

The British plan proceeds on two levels. On one is the union movement of Walesa, who was groomed for his present role by the KOR (Workers Defense Committee) of Kolakowski and one-time revolutionary leftist Jacek Kuron.

On the other level is the new Polish regime, which replaced Polish United Workers Party (PUWP) chief Edward Gierak in a cold coup carried out between Aug. 29 and Sept. 5. Under former security director Stanislaw Kania and reinstated Politburo economics specialist Stefan Olszowski, the Poles are elaborating a program which, in the words of one source from a Soviet-allied country, will "take Poland away from socialism."

Ranking members of the new regime either belonged to the group called Experience and the Future (DiP) or agree with its program of abandoning the heavy industry priority that formed the backbone of the Polish economy's socialist sector under Gierak.

In the DiP, which is the subject of a special section of

this report, lies the secret of Polish politics today. The international efforts to destabilize Poland, emanating from sources of funds and strategy like London's peer-studded Arts Council, New York's Freedom House, worldwide labor networks of the Jesuit order and the socialist Second International, psychology and social control centers like the Tavistock Institute in Sussex, England, and the Aspen Institute, all intersect in the DiP.

The purpose of activating these networks of influence inside Poland has been, and still is, to parlay the Polish crisis into an international strategic geometry of controlled confrontation between the two superpowers. In this fundamental respect and in the included anti-industry bias of the operation, the Polish developments are cut from the same cloth as those in Iran.

These crises proceed to the advantage only of the international networks that launched them, the advocates of deindustrialization and depopulation of the entire planet. The dumb giants U.S.A. and U.S.S.R., helped along by British agents of influence controlling relevant aspects of their policies, totter into the trap, while the maneuvering room of alternative power centers like France is restricted.

The Polish crisis knocked the legs out from under key policies of the continental Western European governments. Already squeezed by Middle East oil cutoffs, France and especially West Germany suffered a second blow to their energy prospects when plans for joint East-West high-technology development of the Polish coal industry fell victim to the freeze of East-West ties in the wake of the summer strikes.

The Polish explosion also spelled the end of the delicate diplomacy between East and West European leaders aimed at averting world war. With the weakening and then the ouster of Gierek, one East-West meeting after another was struck from the fall agenda. One result was to strengthen those in the U.S.S.R. who had questioned the viability of Europe-centered détente all along.

After the battering of its "Europe card," the Brezhnev leadership locked into a "world of the superpowers" posture, prepared to make geopolitical deals over Iran for the sake of helping Jimmy Carter get reelected, but meanwhile girding for war. Brezhnev's own Oct. 16 tirade against "American imperialism" suggests that accommodation between the Carter and Brezhnev administrations will be about as long-lived as the Hitler-Stalin pact of 1939, the prelude to world war.

Almost nowhere, and certainly not in Eastern Europe, is the design of manipulating the superpowers fully grasped.

The Soviet bloc has responded in knee-jerk fashion, with warnings focused on Lech Walesa and on alleged American and West German aid to "antisocialist forces" in Poland. East German leader Erich Honecker, who earlier this year quoted West German chancellor Helmut

Schmidt on the need to prevent war from ever again arising on German soil, now talks about "increasing our defense capabilities" and denounces "West German imperialism."

After a crescendo of warnings culminating in Honecker's declaration that Poland will remain socialist even if its friends must "see to that," the East Germans imposed strict curbs on transit across their border with Poland. The decision was announced with no explanation, but it has been rumored repeatedly that a Warsaw Pact military move into Poland would involve the deployment of forces across that border.

The Oct. 28 announcement of this step provoked the first open clash between ruling parties in the Warsaw Pact after weeks of obvious tension, as the East Germans and Czechs dubbed "antisocialist" the very trade union committee leaders with whom the Warsaw regime was negotiating. On Oct. 29, the PUPW daily *Trybuna Ludu* accused the East Germans of failing to understand the situation in Poland.

### **Walesa's bid for power**

On a tour of southern Poland Oct. 18-23, Lech Walesa dropped all pretense of being "not political," as he had always insisted. In Krakow, Walesa shouted to crowds that he was ready to assume any responsibility the Polish people gave him.

Then, in meetings in the coal district town of Jastrzebie and back in its home city of Gdansk on the Baltic Sea, the coordinating committee of Walesa's trade union federation "Solidarity" debated whether or not to launch new strikes over the issue of its legal status.

On Oct. 24, a judge in Warsaw approved statutes for Solidarity, legally registering the union as a national organization. But the judge unilaterally inserted into the statutes a clause, disputed by Solidarity, defining the federation's recognition of the leading role of the communist party in Polish society. Members of the coordinating committee, some of whom had been arguing for strikes even before the court decision, set Nov. 12 as a new strike deadline. The committee issued an ultimatum to the government to come to Gdansk and negotiate or else Solidarity would "turn itself into a strike committee and undertake appropriate steps." Deputy Premier Mieczyslaw Jagielski arrived in Gdansk late on Oct. 28.

### **A program for crisis**

The program of the Kania regime has not been revealed in its entirety, but the outlines emerged at the Oct. 4-6 meeting of the PUPW Central Committee. Kania's report there bore the imprint of Politburo members Stefan Olszowski and Tadeusz Grabski, known as advocates of a consumer-tilted approach to

running the Polish economy. This approach will not only undercut heavy industry but, in the medium and long term, reverberate against consumption too.

Their policies are essentially those of the DiP.

Kania described a new mechanism to screen proposed industrial investments that will apparently slash several large high-technology projects. He affirmed a commitment to the "small-scale character" of Polish agriculture. The Catholic bishops of Poland, in an early October statement, concurred. They endorsed the complete decollectivization of agriculture, the elimination of that small portion of Polish farming that is not already the domain of miniscule private plots.

Poland faces a hard winter of shortages. With the economic policy it is charting, the new regime would make the economic crisis worse over the months and years ahead. But together with the activities of Lech Walesa, it could cause Warsaw Pact troops to enter Poland much sooner than that.

## The DiP: incubator for Polish insurgents

On Aug. 28, 1980, the daily newspaper of the ruling Polish United Workers Party stated editorially that there could be no question of setting up a second trade union structure in Poland.

On Aug. 30, a tentative settlement of the strike in the Gdansk shipyards was announced, the crucial component of which was the go-ahead to set up "free trade unions" outside the official union apparatus.

What had happened in those two days was a coup. Communist party chief Edward Gierek was already bereft on Aug. 24 of his closest political allies, who were dropped from the Politburo. He could not carry out the step he reportedly favored: dispatch of Polish troops armed with tear gas to disperse the crowds in the Lenin Shipyards in Gdansk. His own political career came to its official close on Sept. 5.

### Olszowski's return

The new Polish regime is a coalition. Former security chief Stanislaw Kania, who was supported by Defense Minister Wojciech Jaruzelski in his opposition to the use of force, is the party's first secretary. A resurgent party faction grouped around Mieczyslaw

Moczar, Kania's predecessor on the security force and formerly a powerful party baron, is building power from its alliance with Kania.

The clue to the new regime's character is the prominence of Stefan Olszowski. According to a report published in the *New Statesman*, an attempt was made to install Olszowski as the first secretary. Instead, he regained the posts from which Gierek had purged him in February 1980: member of the Politburo and Central Committee secretary for economic affairs.

With Olszowski, his allies, and their non-party advisers in the driver's seat, it is as if Ralph Nader, Jerry Brown and the sensitivity-trained graduates of the Congressional Clearinghouse of the Future had seized the executive branch of the government of the United States.

### 'Experience and the Future'

In the 1976-78 period, after a wave of strikes and food price protests, Olszowski was entrusted with drafting an outline for economic reform. His conclusions led, even before this summer's coup, to the gradual dismantling of Gierek's industrial investment program, just at the point when Poland's British and American creditors had decided that Poland no longer merited development or balance-of-payments loans on favorable terms.

From Olszowski's consultations on economic reform, according to several Western scholars who know him and his aides, emerged the project known as DiP—*Doswiadczenia i Przyszlasc*, or Experience and the Future.

DiP did not crystallize as an institution, but conducted study groups and surveys on reform. Its coordinators were members of the liberal wing of the party, social scientists, and independent intellectuals, including many from the Clubs of Catholic Intelligentsia.

One Western friend of DiP calls it the most "pivotal" group in Poland "because of its long-range and far-reaching liberal reform strategy, which does not pose itself as a direct threat to the Soviet system." The strikes and the agitation of dissidents like Jacek Kuron and Adam Michnik of the Workers Defense Committee (KOR) served to open the door for implementation of the DiP program.

Its first document, "Report on the State of the Republic and Ways to Improve It," circulated in May 1979, after which DiP was banned from meeting. This year, its coordinators conducted a survey of 150 prominent Poles, one-third of them party members, which they printed up under the title "How To Get Out Of It." The main points of the second document, which has been summarized by Radio Free Europe Research, foreshadowed what Kania and Olszowski have now begun to do.

The DiP theme was “a fundamental change in the existing style of governing the state. . . . The faulty style of governing is the source and the cause of the current crisis.” Since their ouster, Gierek and his associates have been castigated at a Central Committee plenum for their “style” of rule, while the content of their policies is undone as well.

The DiP survey called for relaxation of censorship, to make “full and true information” available in Poland.

It attacked “stultifying centralization” and, in the case of economic policy, specified the need for “a shift away from central control of the economy and toward greater autonomy of regional and smaller units,” “a change in the methods of management,” and reorganization of the economy to “enhance the role of individual enterprises.” Kania and Olszowski, in their outline of Poland’s new economic policy, came out for no less.

DiP advocated “comprehensive internal reform of the party organization,” a demand DiP members subsequently voiced from the floor of the Polish parliament.

It demanded “recognition of the Church’s rights within the system . . . [and] access for the Church to the mass media.” Two weeks after the Gdansk strike settlement, Poles could hear Sunday mass on television for the first time.

### Who is in DiP?

Sampling the membership of DiP indicates how the new regime and the dissidents, the strikers and their government collocutors, are the two tracks of one effort, an effort that is directed from outside Poland.

**Jan Szczepanski.** Poland’s leading sociologist, Szczepanski is an intellectual eminence of DiP. He is a non-party delegate to the Sejm, Poland’s parliament, where on Sept. 5 he boasted of having “the precise sociological tools” to understand what happened in the Polish strikes and what has to be done in Poland now. Szczepanski is a recruit of the Tavistock Institute, the British intelligence center for international operations conducted through the sociology and anthropology professions. He sits on the board of its theoretical journal, *Human Relations*.

Szczepanski is a member of the Aspen Institute too, and in the United States he studied at the American spinoff of Tavistock, the Stanford Center for Advanced Study on Behavioral Sciences. Reports that Szczepanski had acted in an advisory capacity to the Gdansk Inter-factory Strike Committee during the strikes in August were bolstered when the agreement reached by the committee mandated a “center for the study of social affairs” to service the new unions.

In his capacity as Polish chairman of the Anglo-Polish Round Table, Szczepanski consults each year

with such Britons as Mark Bonham Carter, an advisory board member of the Index on Censorship, a London-based platform for Eastern European dissident writers. The Index is financed by the Arts Council, presided over by, among others, Anthony Quinton, the colleague of KOR dissident coordinator Leszek Kolakowski at All Souls and Trinity Colleges, Oxford.

**Tadeusz Mazowiecki and Bogdan Cywinski.** Both are editors of Catholic publications associated with the lay group “Znak.” With their colleague **Jerzy Turowicz**, who like Cywinski is based in Krakow, these two men are a preferred liaison channel of European and American Jesuit influence into Poland. All are active in the Club of Catholic Intelligentsia, which has recently recruited a new member, leader of the “Solidarity” trade unions, Lech Walesa. Cywinski coordinates the Society for Academic Courses, or “flying university,” whose curriculum encompasses the “Christian existentialism” developed at the Catholic University of Lublin, the logical positivism of Oxford Prof. A. J. Ayer, and the writings of KOR members Leszek Kolakowski and Adam Michnik on contemporary Polish intellectual history. Mazowiecki and Cywinski head the advisory committee of the Solidarity unions.

**Janusz Beksia.** Professor Beksia was one of three members of Gierek’s scientific advisory board who were secretly participants in DiP. Beksia resigned from Gierek’s staff and from the party, but now is back on the job as a top consultant of Stefan Olszowski in drafting economic reforms for the new regime.

**Stefan Bratkowski.** Like Szczepanski, he is a sociologist, but Bratkowski is a member of the communist party as well. At a September meeting of the party association of the Polish Writers Union, Bratkowski called for purging the party—as began to happen with the expulsion of Gierek’s supporters at the Oct. 4-6 Central Committee plenum—and instituting democratic norms on the model of the KOR and the Gdansk unions.

**Jan Strzelecki.** Another sociologist, Strzelecki is one of three Polish members of the Club of Rome, center of international projects for deindustrialization.

**Mieczyslaw Rakowski.** As a Central Committee member, Rakowski kept his association with the DiP low key, but when he wrote an editorial in his weekly *Polityka* last July 5, after the first small strikes had occurred in Lublin, it was widely recognized as the DiP program coming into the public eye. Rakowski called for reform: “Telling the truth . . . is just a beginning. Our vital national interest requires . . . a comprehensive program for structural changes involving the guidance and management of the national economy . . . thought out decentralization. Our society has still not been psychologically conditioned to make sacrifices.”

# Planning session on Poland's future

by Luba George

When labor unrest in Poland first began to disrupt growing political and economic cooperation between Western Europe and the Soviet Union, *EIR* researchers and intelligence analysts, proceeding on a "who benefits" basis, reported that the problems in Poland were the outcome of a specific project launched by the British-dominated apparatus of NATO intelligence to create precisely those problems (*EIR*, Sept. 9, 1980). Now, as Poland's internal crisis continues to pose a grave threat to international relations, proof of the *EIR* analysis has been provided first hand, by a score of intelligence operatives actively involved in the Polish events who held two recent little-publicized meetings at Columbia University in New York City.

Called "roundtable seminars," sponsored by the Institute for East Central Europe within Columbia's School of International Affairs, one Sept. 10 gathering of intelligence operatives was entitled "The Strikes in Poland: An Assessment," and featured old hands in the Eastern European networks operated by Sussex, England's Tavistock Institute, a psychological warfare division.

The strategic perspective guiding such intelligence deployments, as it emerged from the meeting on Poland, featured the following:

- The strikes in Poland were an element of a decade-old project of, in particular, the British intelligence services, to halt the industrial development of Eastern Europe, thereby forcing the Soviet bloc into "convergence" with the deindustrialization that Anglo-American policymakers have increasingly imposed on the West.

- The "dissident" networks responsible for the Gdansk-centered strike activity that succeeded in toppling industrialization proponent Edward Gierek were controlled directly, on an hour-to-hour basis, by a set of intelligence institutions clustered around Tavistock, featuring the "Arts Council of Great Britain," "Freedom House" in New York, and Trinity College, Oxford.

- The demands of the strikers were formulated outside Poland, and inserted into the deliberations of the strikers by on-the-ground "dissident" agents in commu-

nication with NATO economic warfare specialists. The "consumerist" demands were designed to impose "from the inside" the same severe cutbacks in capital formation that Poland's leading British and American creditors have attempted to impose from the outside since 1974.

- Acceptance of such demands by duped Polish workmen was ensured by a corps of sociologists and psychologists, trained in Britain or closely associated with relevant, Tavistock-centered institutions, operating in Polish factories during the strike period.

- The option now exists to impose demands on Polish workers that would amount to the abolition of socialism, thus provoking Soviet intervention, if British "geopolitical" considerations from a strategic standpoint dictate that course of action against the détente-oriented economic development perspective of Western European nations. Soviet military action in Poland would put an end to the potential for reviving the war-avoidance understanding among Paris, Bonn, and Moscow.

## 'Too much investment'

The intelligence agents who gathered at Columbia focused their Polish assessment around the theme most succinctly stated by Alexander Ehrlich, a professor of economics at Columbia. Ehrlich was trained at the Frankfurt School with "New Left" intelligence control-agent Herbert Marcuse, "intellectual author" of American and European student movements' radical opposition to industrial development during the 1960s. To analyze the "economic causes" of the Polish unrest, Ehrlich employed the key-and-code reference for all such intelligence operations in the recent period: "the fall of the shah."

"The organization of the economic system in Poland," he stated, "is a result of errors of macroeconomics . . . the strong propensity to push investment too much into heavy industry and expand too rapidly. The case of the shah and Iran must be a lesson to all. Too many promises of massive aid were made to the shah. . . . Things went to his head and he started expanding Iran industrially and militarily."

Polish leader Edward Gierek, said Ehrlich, had also been "industrializing too rapidly."

This theme—economic progress causes misery and social upheaval—was reiterated again and again in the course of the proceedings. But as in the case of the shah, Ehrlich knows the opposite to be true in the case of Poland.

The facts of the Polish case are that from 1970 to 1975, Gierek's centralized industrial development program vaulted Poland to a new level of economic strength and higher living standards for the working class. The severity of the country's problems in the more recent period are a result of the slowing down of industrialization since 1976.



The decline in growth rates, apart from instances of mismanagement, resulted from four factors:

- rapidly rising costs for Western imports;
- simultaneous stiffening in credit terms to finance such imports;
- a four-year freeze on long-term development loans from the West;
- Anglo-American policy imposing International Monetary Fund-type “conditionalities” on all credits to Poland.

The net objective of such *economic warfare against Poland* was to prompt policy decisions favoring export-oriented, foreign-exchange earning sectors, away from heavy industry and domestic consumption.

The result was very real, very embittered frustrations in the Polish working population, without which British-NATO intelligence could not have enjoyed its recent general strike successes.

### **Brzezinski's students**

Irena Lasota, speaking after Professor Ehrlich, asserted that continuation of economic warfare against Poland was essential to the strength of the new “free trade union” opposition. Lasota, who received indoctrination as a student of Zbigniew Brzezinski, is currently listed as a doctoral candidate in political science at Columbia. During the Polish strikes, she coordinated with Leszek Kolakowski at Oxford, under British intelligence executive Anthony Quinton, coordinating the “free trade union” movement. The networks in which Lasota operates, for example, are known to interface with the control apparatus behind Italy's Red Brigades terrorists. She joined these networks through Kolakowski's KOR organization inside Poland, then emigrated for training with Brzezinski at Columbia's School of International Relations.

Lasota reminded her audience that, in the fall of 1977, Kolakowski himself had participated in a similar gathering to plan the 1980 upheavals in Poland.

“I agree with Professor Ehrlich's comparison of Poland with Iran and the shah,” she stated. “Conditionalities should be attached to loans to Poland. Besides the economic conditions, the loans should attach strings that concessions given to workers be maintained. This is the most intelligent policy for lending to Poland. This should be the only basis for loans. . . . If this is not done this way, in one month's time from now there may be new strikes.”

Another speaker, Deborah Milenkovitch, turned to the types of demands that the Polish workers themselves should be manipulated into raising. Milenkovitch, a Barnard College economics professor, has been a research associate at a Tavistock subsidiary, the Research Institute for International Change, currently headed by Seweryn Bialer. Once a high-level “mole” inside the

Polish communist party's Central Committee, Bialer was pulled out of Poland after the unrest of 1956. His predecessor at RIIC was Zbigniew Brzezinski, who left to become Carter administration National Security Adviser. RIIC was founded by Herbert Marcuse.

Milenkovitch bitterly denounced Gierek's capital-formation policies, employing the special brand of “Marxism” Marcuse had devised: “The fundamental issue,” she proclaimed, is “class conflict” and “who controls the surplus product.” If the “workers” control the surplus product, then they will divert it to immediate consumption, she explained. If the state controls it, they will divert it to industrial development.

Milenkovitch's variety of British intelligence “Marxism”—duplicated word for word, phrase for phrase, by leading KOR agent Jacek Kuron in Poland—carefully opposes “working-class interests” and industrial progress. In the West, such “Marxism” is simply called Malthusianism. But frustrated Polish workers, following KOR's Kuron, demanded the diversion of funds earmarked for development to immediate consumer goods production such as food-price subsidies.

In short, what British agents foisted on workers as “demands” were measures specifically designed to aggravate the very economic backwardness which is the cause of the economic grievances of Polish urban working-class households.

It was Irene Lasota who called the gathering's attention to the effectiveness of sociological and psychological manipulation in bringing strikers to such a muddled state of perception of fundamental self-interest. “In every factory,” she reported, “you have a sociologist and a psychologist who is ready to give guidance to the worker.”

The sociologists and psychologists, she reported, were provided by the intelligence front called “Experience and the Future,” whose Polish acronym is DiP. The DiP group was cofounded by Jan Szczepanski, a Polish associate of the Sussex Tavistock Institute itself. Among the outside controllers of Szczepanski's DiP is Jane Curry, a Polish specialist with the RAND Corporation, U.S. Air Force intelligence's leading think tank. Curry, who is currently listed as a research associate of the Institute for East Central Europe at Columbia, organized the entire Columbia seminar.

In the future, the panelists indicated, DiP “experts” inside Polish factories would guide “free trade union” workers toward demands that, as Lasota put it, “attach political with economic demands.” “The events of 1980 showed that we can get workers to stay in the factory and push such demands,” she said, referring to the DiP program, which in addition to Milenkovitch-Kuron “consumer” economics, specifies a “shift away from central control of the economy and toward autonomy of regional and smaller units.”

## **The IMF's candidate for the presidency?**

*Ibarra played an 'IMF card' to help his cabinet position, but may have shot down his 1981 bid.*

**F**inance Minister David Ibarra Muñoz has been feverishly traveling the length and breadth of the land in recent days, visiting numerous regional offices of his ministry and showing up at not a few political events. For experienced political observers here, Ibarra's tracks lead in an unmistakable direction: to build up momentum for a presidential bid to succeed José López Portillo, who leaves office in late 1982.

Ibarra is not the likeliest candidate for the job, since he has risen on the "technocratic" side of the government hierarchy rather than the "political side." But it is not forgotten here that López Portillo himself filled the finance post before he was tapped five years ago, and that López Portillo also came from a background of administrative posts.

Mr. Ibarra, however, now has a bigger problem to contend with. Analysts here believe that last month's International Monetary Fund meeting in Washington, where Ibarra played a high-profile role, may prove his undoing in the intricate maneuverings which characterize the Mexican succession fight within the governing PRI party.

Ibarra went into the meetings on shaky ground within the Mexican cabinet. As we have reported before, he has been the leading "slower growth" voice in economic cabinet debate. He crossed swords

repeatedly with "fast growth" advocates led by Industry Minister José Andrés de Oteyza.

In a previous column, we counted one particularly acrimonious cabinet session in mid-August where de Oteyza, with López Portillo's approval, proposed an ambitious steel expansion program and Ibarra refused to give finance ministry sanction. Ibarra lost points on that occasion; *EIR* even picked up insistent reports that he might be on his way out of the cabinet.

Ibarra responded by pulling off something of a publicity coup at the annual IMF/World Bank meeting in Washington, in order to solidify his position. As the outgoing head of the developing nations' caucus at the IMF, the Group of 24, he had politicked heavily within the world organization, and managed to emerge at the end of September meetings as head of the Development Committee. This is the supreme formal policy-recommending council of the IMF/World Bank. Ibarra is clearly counting on using his new international post to save his neck domestically.

Ibarra spared no pains to have word of his IMF exploits highly publicized back home. Sources tell us that he arranged for a virtual planeload of Mexican journalists to accompany him to Washington, and enjoy a number of fringe benefits not appearing on their newspapers' expense accounts. "Even the

smallest little broadsheet found itself brought up to Washington," commented one source.

But while Ibarra and his allies were congratulating themselves in Washington, the word was let out in an important government office in Mexico that "this was an outrageous political move for the presidency." The word spread through the political gossip circles like wildfire.

Ibarra's troubles were multiplied when one of his aides, upon returning to Mexico, revealed that Ibarra had "flirted" with certain U.S. financial officials in private meetings. He also reportedly got together a closed-door Washington meeting with Mexican private bankers. When word of this reached the higher levels in Mexico, the reaction was uniform: "Ibarra has put himself forward as the IMF's candidate for presidency."

In another country, such as Maggie Thatcher's Britain, the IMF's blessing may be an asset in gaining high office. But in Mexico it is a curse—the IMF is strongly disliked in most official circles because of its attempts to prevent countries like Mexico from industrializing.

Ibarra, however, is not alone in his apparent taste for the IMF. One prominent Mexican reminded *EIR* that the key person in this regard is Gustavo Romero Kolbeck, the director of the Bank of Mexico. Mr. Kolbeck is monetarism personified in Mexico, and is well known for his earlier work in founding the private sector think tank, the CEESP.

"Kolbeck is not only the most important monetarist 'Trojan Horse' inside the government," this source commented. "He is Mr. Ibarra's 'grey matter' as well."

## Jabotinsky's posthumous coup

*Fanatic advocates of 'Greater Zion' are sabotaging possibilities for peace with Arabs.*

Efforts to achieve a viable Arab-Israeli peace agreement may be set back several years because of an institutional coup d'état now being carried out in international Zionist organizations.

The coup organizers are the modern-day followers of Vladimir Jabotinsky, the founder in the 1920s of the chauvinist "Revisionist" Zionist movement, a split-off from mainstream Zionism, and of the paramilitary, fascist-modeled "Betar" Zionist youth groups.

Jabotinsky's followers today include Israel's prime minister Menachem Begin, a significant number of the Israeli cabinet and Knesset, a faction of Israeli intelligence, and powerful elements in the dope-and-dirty-money coordinators of the Israeli mafia.

It is this combine that is on the brink of a "putsch" in the international Zionist political community.

The coup efforts center around the mid-November trip to the U.S. of Israeli prime minister Menachem Begin.

During that trip, Begin will keynote an extravaganza dinner in New York Nov. 11 commemorating the centennial birthdate of Jabotinsky. The central organizers of the dinner—which has already sold out beyond seating capacity at the plush Waldorf-Astoria Hotel in New York—are a hostel of Jabotinsky true believers centered at the Jabotinsky Foundation in New York, whose prestigious head is

New York financier John L. Loeb, Jr., a close associate of New York mobster lawyer Roy Cohn.

Aside from the true believers, organizers and/or sponsors of the event include no less than 70 U.S. governors, senators, and congressmen, and a wide spectrum of U.S. Zionist organizations. Included in the latter are moderate-liberal organizations such as the Union of American Hebrew Congregations whose political views have historically been diametrically in opposition to Jabotinsky's uncompromising chauvinism.

Occurring only one week after the U.S. elections, the Jabotinsky Centennial will be an impressive show of force intervention into American politics. At the same time, the acquiescence of the broad spectrum of Jewish organizations in the U.S. is already a major victory for the Jabotinsky forces, since it nullifies the outcast pariah reputation that Jabotinsky has suffered throughout this century.

Throughout the 1920s and the 1930s, Jabotinsky was excoriated as a "fascist" and a "Führer" by most U.S. Zionist or pro-Zionist leaders, including Rabbi Stephen Wise, a pioneer of American Zionism, and scientist Albert Einstein.

Within Palestine, the nickname "Vladimir Hitler" was coined for Jabotinsky in the 1930s by none other than the later-to-be first Israeli prime minister, David Ben-Gurion.

The acceptance of funding by

Jabotinsky's Betar from the fascist and anti-Semitic post-Pilsudski Polish government drew special ire from Zionists both in Palestine and in the U.S.

Jabotinsky's insistence that the Jews must leave Europe *en masse* also drew the derision and wrath of Jewish and Zionist leaders at the time, as it was seen as a craven caving in to the "expel the Jews" beliefs of Europe's anti-Semites.

The fact that Jabotinsky can be so feted today, with hardly a whimper of protest from American Jews, is providing the Begin crowd in Israel with the free rein to argue, again, that Jews just leave their resident countries to settle in Israel as the only "solution" to anti-Semitism.

A resolution to that effect was actually passed earlier this month in Israel's Knesset following the events at the Rue Copernic synagogue in France.

The Rue Copernic bombing also strengthened the hand in France of the Jabotinsky-devotee circles of the "Renouveau Juif" (Jewish Renewal) group of Henri Hajdenberg, who, prior to the bombing, had been subordinate to the moderate circles around Baron Guy de Rothschild.

As these movements grow in force abroad, the factions inside Israel arguing for annexation of the Golan Heights, annexation of the West Bank, and for military confrontations with Israel's Arab neighbors—all components of Jabotinsky's militant "Greater Zionism" vision—will feel a freer hand to act. This will engender a corresponding hardline reaction in the Arab Islamic countries, and make any kind of workable settlement in that region well-nigh impossible.

# International Intelligence

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## ***Fusion scientist tours West Germany***

Dr. Steven Bardwell, director of plasma physics for the U.S.-based Fusion Energy Foundation, began a tour of West Germany Oct. 29—among other things to break a press blackout there on news of the passage of the Magnetic Fusion Engineering Act of 1980, recently signed into law by President Carter. The bill, sponsored by Cong. Mike McCormack of Washington State, is designed to bring on line a commercial fusion power reactor by the year 2000. Media coverage of the bill has been virtually nonexistent in West Germany, except for two pro and con articles in the popular science magazine *Bild der Wissenschaft* concluding that fusion's prospects are doubtful and the funding for the research could be better spent elsewhere.

Bardwell's tour will include meetings with scientists in Stuttgart, Munich, and Düsseldorf, and elsewhere in the industrial Ruhr region. In addition to discussing the details and implications of the Magnetic Fusion Act, Dr. Bardwell will use *EIR's* LaRouche-Riemann economic model to demonstrate how a fusion-power-based economy would function.

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## ***Thais differ with China over Kampuchea***

The *Christian Science Monitor*, reporting on Thai prime minister Prem Tinsulanonda's trip to China on Oct. 29, pointed out that the Thais are urging the Chinese to shift their support from the Pol Pot-controlled Khmer Rouge to a third party. There are indications that the Thais perceive that China's victory this month at the United Nations on the question of seating the Peking-backed Pol Pot has put the ASEAN officials on a dead-end diplomatic road.

According to the *Monitor*, the primary reason for General Prem's visit to China is to talk about the Chinese role in

the Kampuchea question. Gen. Prem met with Chinese premier Zhao Ziyang, and according to Peking Radio, the differences between the two sides remain.

What the ASEAN officials appear to be looking for is a political solution with Vietnam regarding the Kampuchea issue that will get the Chinese off their backs. This implies a success for Vietnam's effort to drive a wedge between the Chinese and ASEAN, and defuse the crisis. There are reports that the Malaysian foreign minister will visit Vietnam in early November, and the Thai prime minister will send a delegation to the U.S.S.R. soon, to be led by a "very top" official.

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## ***Arabs warns U.S. on siding with Teheran***

Iraqi foreign minister Saddoun Hammadi said in Baghdad Oct. 26 that Iraq would not tolerate intervention by the United States on behalf of Iran, and accused Washington of arming the Khomeini regime. "The United States sides with Iran, not only morally but materially; in other words, supplying Iran with arms." It was the first time Iraq has directly accused Washington of aiding Iran militarily. Hammadi said that he would begin consultations with the Arab states on how to respond to the U.S. actions.

Last week, Hammadi said that the supply of U.S. weapons to Iran would be a grave threat to the entire region and would thus represent a "danger to world peace." On Oct. 28, Hammadi flew to Jordan for a meeting of foreign ministers of Iraq, Jordan, Syria, Saudi Arabia, Algeria, Kuwait, and the Palestine Liberation Organization.

Later in the week, Jimmy Carter's open offer of military aid to Iran and his public characterization of Iraq as "terrorist" coincided with Washington's refusal to sell F-15 jets to Saudi Arabia. An official Saudi statement expressed "astonishment," stated that "nobody has the monopoly of the kingdom's friend-

ship," and made it clear that Riyadh views the refusal in the light of Carter's offer of arms to Khomeini.

Jordan has protested the U.S. administration's tilt, and Egyptian president Sadat is also reported to be growing fearful about Carter's move to ally with Iran.

Syria, newly merged with Libya, is under pressure from the Saudis to distance itself from the Qaddafi regime, following Saudi Arabia's own diplomatic break with the pro-Khomeini Libyan regime.

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## ***Carter trying to hand Uganda to Cuba?***

Following the return from Cuba earlier this month of Uganda's military commission chairman, Paulo Muwango, Cuban troops will be transferred from Ethiopia to build up a Ugandan army. Observers are speculating that President Carter may have struck a deal to hand this African nation over to Cuba, following Fidel Castro's support for Carter's reelection.

The Ugandan military commission last week reported an attack on the north by a small band of Idi Amin's exiled followers, based in Zaire and Sudan. According to the commission, the exiles seized a few small towns, but the reports are believed in some quarters to be an electoral ploy to boost the campaign of Dr. Milton Obote.

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## ***Pemex calls for global oil output expansion***

Speaking to the Second Latin American Congress on Oil Drilling on Oct. 27 in Mexico City, Jorge Diaz Serrano, head of Petróleos Mexicanos (Pemex), called on oil producers to increase the world's oil production in order not to halt economic development.

"The fact that hydrocarbons are a nonrenewable resource does not mean

## Briefly

that we must cut off that industry's growth," Díaz Serrano told the congress. "A yearly increase in the world's oil production—and let me emphasize that I refer to world oil production and not to any particular country's oil production—is a very important precondition for the continued achievement of developmental goals.

"Development is a goal we cannot postpone," said the Pemex director. "It is essential not only to depend on the volumes of energy we now have at our disposal, but to have somewhat more every year. Otherwise, a dangerous state of precarious equilibrium would emerge, and humanity would always live at the edge of a recession, extremely close to a collapse."

Pemex recently signed a deal with the Chinese state oil company to exchange oil technology, and studies are underway to have Pemex work with its Chinese counterpart in the exploration of China's offshore oil. The Mexican company is also exploring for oil in Costa Rica and Nicaragua, and is now discussing similar arrangements with Panama and Cuba.

Díaz Serrano recently visited Saudi Arabia, where he held talks with the leadership of that country. One of the topics of discussion was the use of Pemex's oil technology in Saudi Arabia as well as Mexican participation in Saudi construction projects. Díaz Serrano also met last week with Iraq's minister of irrigation, Huahad Mahmod, in Mexico City. Some observers believe Mexico is increasingly coordinating its oil policy with these two Arab countries.

### **Brazilian president rejects IMF demands**

Brazilian president João Figueiredo has given public support to his planning minister Antônio Delfim Netto's rejection of International Monetary Fund austerity. In a speech in Teresina Oct. 17, General Figueiredo declared, "I can confess that one reason inflation [now over 100 per-

cent] does not fall faster is the superhuman effort the government is making to avoid unemployment." Having just returned from a visit to Chile—Milton Friedman's guinea pig—Figueiredo proclaimed, "And it would be no good if our inflation indices fell rapidly like those in other South American countries, which we've seen, at the cost of social crisis and mass unemployment."

The day before, the BBC broadcast a prediction that Figueiredo would suffer an assassination attempt during his visit to Brazil's interior. That rumor followed an earlier comment in London's *World Business Weekly* that Figueiredo, whose presidency ends in 1985, will "not be around for long." A week later, Figueiredo responded to reporters inquiring about London bankers' demand that Brazil submit itself to the IMF by replying dryly, "We have no need to go to the IMF."

### **Moscow hits Iraq for invasion of Iran**

The Soviet Union officially echoed Washington's criticism of Iraq this week by accusing Iraq of invading Iran.

An article in *Krasnaya Zvezda* (Red Star), the Soviet military weekly, said Oct. 28 that Iraq "launched the offensive" into Iran last month. It then criticized Iraq for threatening to annex parts of Iran. "If Iraq initially asserted that it claims comparatively small territory on the Shatt al-Arab," said *Red Star*, "now the Iraqi press publishes maps in which the entire province of Khuzestan, known in Baghdad as Arabistan, is designated as Iraqi territory."

At the same time, Soviet president Leonid Brezhnev sent a message to a conference in Nicosia, Cyprus, on the subject of the "anti-imperialist struggle" in the Persian Gulf. In the message, Brezhnev warned against American attempts to restore the old Iran regime to power or to reestablish U.S. hegemony in Iran.

● **RICHARD FALK**, the Princeton University professor who did so much to bring Ayatollah Khomeini to power while serving as chairman of the U.S. People's Committee on Iran during the 1978-79 period, is now turning his attention to the Philippines. Falk will spend the Oct. 31-Nov. 2 weekend in Antwerp, Belgium, attending a conference on "human rights in the Philippines."

● **ISRAELI POLICE** have arrested 300 drug dealers, Radio Jerusalem reported Oct. 28. The arrests occur as Israeli cities are being flooded with illegal drugs, including LSD, hashish, and heroin. This is the first major announced drug bust in Israel over the past year.

● **MARGARET THATCHER** is under fire from members of her Conservative Party following leaks that she plans to cut defense expenditures and renege on her pledge to increase defense spending by 3 percent a year, as requested of all NATO members.

● **SAUDI ARABIA** broke diplomatic relations with Libya Oct. 28, calling Libyan dictator Muammar Qaddafi a "spearhead against Islam" and an agent of "Zionists and communists." Last week, Qaddafi called for a revolt in Saudi Arabia's holy city of Mecca by Muslim pilgrims.

● **TIGER'S DUNG** is in increasing demand in China's commodity market. The business started to thrive about six months ago when a couple, smearing themselves with the "precious commodity," dashed to freedom in Hong Kong.

● **DER SPIEGEL**, the West German newsweekly, has maintained its reputation for gutter journalism by comparing Ronald Reagan with Benjamin Harrison, the U.S. President-elect who died before he could assume office.

## 1981 issues start with foreign policy

by Konstantin George

Regardless of the outcome of the Nov. 4 presidential election, 1981 will be a decisive year to the nation, and, by direct implication, the world. Issues stand on the agenda that require urgent policy answers from both the executive and the legislative branches.

In this issue, *EIR* inaugurates a feature of our pre-inauguration coverage that will present the major issues facing America and the new administration in the coming year. We will inform our readership during the transitional weeks ahead about the major problems, opportunities, and proposals in the spheres of foreign, domestic, and national security policy.

We begin with a scan of what will be decided in 1981 in some of the crucial areas, focusing on the question of war or peace. Given the international concern continually manifested on this question, we include the following summary of the essential facts concerning what U.S. defense posture and strategic doctrine for the 1980s will be, should the posture recently enunciated by Defense Secretary Harold Brown, and his assistant secretary of defense Robert W. Komer, prevail in any administration, and how such policy will at some point in the '80s lead to war.

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There are three intersecting elements capable of engendering the type of superpower strategic miscalculation which could produce general war. Policy debate and decisions directly relevant to the causes of general war

will be occurring throughout 1981.

1) The attempt at consolidating a doctrine of "geopolitical encirclement" of the Soviet Union, through a combination of U.S. forward bases in the Middle East and Indian Ocean, promoting and aiding insurrectionary destabilizations along the Soviet rim, as in Afghanistan and China, and the dispatch of arms and military technology to Communist China.

Carter has acquired U.S. base rights for Berbera, Somalia; Mombasa, Kenya; Ras Banas, Egypt; and Oman; with possible extensions in the near future into the key oil-producing states themselves. The make-or-break congressional funding decisions for these facilities will come during 1981.

The central question will be whether U.S. policy will be shaped in cooperation with our allies to prevent any superpower military stationings in the highly flammable Middle East, or on the contrary, toward militarily occupying Europe and going for Japan's oil jugular.

Under Carter, the United States, under the guise of a "dual technology transfer" program, began active military assistance to the People's Republic of China. The levels of both sustenance and expansion of that program, crucial to the war-causing dynamic, will be debated and decided on next year.

2) The pursuance of depression policies in the industrialized nations, and the extension of IMF-dictated austerity conditions to the developing sector.

The cardinal question on the 1981 agenda is whether

the Carter-Volcker credit and industrial production base destruction policies will be perpetuated, thus causing a world depression worse than the 1930s, or else reversed quickly enough.

The Volcker depression policies operated in tandem with the wholesale restructuring of U.S. industry and transportation. Much of the restructuring and triaging of sections of the economy has occurred through the Carter policy of economic "deregulation." Under Carter, airlines, trucking, and rail have been deregulated.

Next year, no matter who's in office, further moves in this direction are scheduled. Banking deregulation and related schemes such as repeal of the McFadden Act, which prohibits the major commercial banks from operating in more than one state, will definitely be on the congressional calendar. Ditto with the question of whether the communications industry will be "deregulated" and hence transformed.

3) Continued U.S. adherence to a neo-Malthusian policy perspective, such as that endorsed by the Carter administration in its "Global 2000" report which calls for radically reducing world population levels in the next 20 years.

Whether this perspective, explicitly endorsed by both Secretary of State Muskie and President Carter, is to be shelved or not, will be demonstrated almost immediately. For starters, the next U.S. President will be faced with a decision whether to continue to "look the other way" and allow hundreds of millions of Africans to die of starvation—causing the greatest genocide to date in human history—or fashion the necessary emergency aid measures required.

In fact, the entirety of U.S. agricultural policy, with direct consequences through the mid-1980s, will be decided on in 1981. The Food and Agriculture Act of 1977 expires in 1981. A new act embracing agricultural policy for the next four years will be debated and voted on in 1981. The percent of parity-level federal funding decided on, the provisions for federal aid on crop acreage allocations, and so on will shape the key parameters of U.S., and hence, world agricultural production.

Parallel with the production decisions, the most important agricultural export decision of the decade will occur in September 1981, with the expiration of the five-year U.S.-Soviet grain export treaty, which set a mandatory minimum of 8 million tons annually of grain exports to Russia—a "floor" level which has been maintained through the embargo, which does not effect the treaty.

The renegotiation period represents an excellent opportunity to not only end the embargo, but utilize expanded trade to move superpower relations out of the mode of cynical "sphere of influence" deals, and the deception games embedded in the arms control charade.

With equal rigor, an acid test for the retention or

abandonment of the neo-Malthusian outlook will occur in the domain of energy policy. In 1980, Congress passed, and Carter was forced to sign, the McCormack fusion legislation, which mandates the nation to develop and commercialize fusion energy in the next 20 years. This holds the promise of eliminating scarcity for centuries to come, and ending the genocidal policy dictates of neo-Malthusianism.

The year 1981 is the litmus test. The fusion bill, though passed, requires yearly committee and floor fights to appropriate the money that will give the mandate teeth. The coming year will mark the first and most important such appropriations fight.

Thus the many fronts and numerous battles, all key, are shaped around the fundamental fight coming to a head in the next year: policies conducive to world industrialization or to global neo-Malthusianism will predominate.

## Bob Komer and forward bases

Robert Komer, undersecretary of defense for policy, the number-three man at the Pentagon, recently delivered an outline of Carter administration proposed defense posture for the 1980s to an audience at Georgetown University's Center for Strategic and International Studies (CSIS) in Washington, D.C. Komer is the acknowledged architect of the Carter administration's so-called Rapid Deployment Force (RDF), the melange of U.S. Marine Corps and Army Airborne divisions with apportioned naval and air support that is earmarked for "crisis contingency" deployment to regions such as the Middle East or the Persian Gulf.

Komer summarized the Carter administration's defense posture in five points.

(1) The U.S. and the NATO allies are to rearm in a "conventional build up," to use Komer's phrase, "regardless of who wins the presidential election." The NATO allies and "Japan in particular must take on a much greater burden in this rearmament process."

(2) "Whoever is in office" must be committed to "arms control and the SALT process," because it "is cost-efficient and saves money."

(3) "We must adopt a two-front policy . . . and commit ourselves to making China less vulnerable to [Soviet] attack." This, according to Komer, is to be done by "bolstering China's defensive capabilities in whatever way necessary."

(4) The U.S. must establish a “credible force in the Persian Gulf,” Komer said. The “European allies must accept a division of labor and responsibilities by doing more in Western Europe,” he declared.

(5) “Immediate military readiness is more important than longer term modernization,” with procurement and modernization to be sacrificed for “readiness.” Komer concluded, “It is impossible to do both at this time.”

Under the Carter-Komer posture, the larger body of the Armed Forces are cannibalized through slashing of modernization programs and force levels, to prop the “Rapid Deployment Forces” up at “high readiness.”

### **Bluff and confrontation**

As the RDF military commanders now publicly admit, actual functioning of the forces’ deployment is to act as the nuclear tripwire in the Persian Gulf.

Army General Volney F. Warner, Commander of the U.S. Readiness Command headquartered at McGill Air Force Base, Fla., stated this week, “And if somebody says we’ve got to commit the 82nd [Airborne Division] or that Marine brigade right now—it’s in the national interest—that’s not too big a force to lose.”

The emphasis by the Carter Pentagon on confrontation in the near term is equally documented. “I would be more inclined to do it now than later,” General Warner said. The RDF troops’ deployment would “say to the Soviets” in Warner’s words, “Okay guys, if you do, that’s going to be a big bump, because we’re in the area, and all that implies when you bump up against the United States.”

Komer’s remarks on SALT II have been seconded by Defense Secretary Harold Brown in campaign speeches. Brown has gone further to quantify the amount he “projects” can be shifted to “readiness” and creation of confrontation/trip wire-purpose conventional forces, at “from \$30 to a \$100 billion” over the coming decade. At the same time outlays in strategic forces would be reduced.

The third point of Komer’s address, the military development of China, is the false axiom upon which the “slash force levels and modernization” premise of point five is based. China is incompetently—and with potentially fatal consequences for us all—developing as “the prime surrogate [non-NATO] land power.”

The Chinese army, in this projection, forms an ostensible “substitution” for what U.S. Army Chief of Staff General Edward C. Meyer has aptly termed “our hollow Army.”

The obvious problem with Komer, Brown, et al., is that the more their “readiness” or cannibalization posture is implemented, the more their “surrogate” policy forces them to move deeper into Peking’s embrace. The United States is becoming ever more dependent on Communist China.

## **Brilab acquittals: a turning point?**

by Scott Thompson

A federal jury Oct. 22 acquitted Texas Speaker of the House Billy Clayton and his two codefendants, Austin law partners Randall Wood and Donald Ray, of all the charges the Justice Department brought against them for its Brilab “sting.”

At a press conference held right after their not guilty verdict was read, Wood and Ray said that they would work to assure a full congressional review of the Justice Department’s gross misconduct and total disregard for the constitutional rights of its targets in Brilab-Abscam.

“I am going to pull every wire,” said Ray, “to have a U.S. Senate investigation to probe the FBI’s actions in Brilab. There is a great deal that must be said about the FBI’s actions to avoid the travesties of justice that have occurred here.”

With these strong statements Wood and Ray have joined a growing number of victims of Justice Department “stings” who have spoken out about departmental abuses.

Among them are: Cong. Michael Myers (D-Pa.) who has scheduled appearances on the three major networks after the unprecedented showing of FBI videotapes of his entrapment on nationwide TV; Cong. John Jenrette (D-S.C.) who is reportedly preparing a call for a full congressional review of Brilab-Abscam; and, Rep. John Murphy (D-N.Y.) who this month filed separate suits against NBC and the *New York Times* for reporting unverified “leaks” from the Justice Department’s Abscam team.

It is not only the victims of Brilab-Abscam who are speaking out. A key force mobilizing the mounting anger at Brilab-Abscam abuses is the Committee Against Brilab and Abscam whose advisory board includes many leading trade unionists, entrepreneurs, and regional political leaders.

In Texas, the extent of the anger at the Justice Department’s unconstitutional methods was shown in events which followed the day after Speaker Clayton’s acquittal. Both Texas governor Clements and Houston Mayor McConn called upon the department to cease its use of Brilab-Abscam tactics. And, a poll taken by a leading Houston radio station showed two-thirds of the



local citizens opposed to the department's entrapment tactics, while a leading regional paper compared Clayton's indictment to the Moscow Purge Trials.

### **Battle for the Constitution**

The blatantly unconstitutional entrapment methods that the Justice Department has used in Brilab-Abscam were clearly uppermost in the minds of the Brilab jurors who acquitted Speaker Clayton in Texas this week.

In press coverage of Speaker Clayton's acquittal in the *Houston Chronicle* and *Houston Post* on Oct. 23, jurors are quoted as saying:

"I listened to all the evidence, but it became clear at the end of the government's case . . . that these men were not predisposed to crime."

\* \* \*

"I'm proud to have a man like him [Clayton] in Austin representing us. All along I wondered when the government would get to something solid. I wish the U.S. government ran like our Texas government does."

\* \* \*

"This is not Russia. I hate to think of living in a country that is so much like Russia that they send people out to entrap people."

\* \* \*

One of the most significant facts about Speaker Clayton's acquittal is that this is the first time in Brilab-Abscam that "due process" and other constitutional issues have been heard by a jury.

In the Abscam "convictions" of Congressmen John Jenrette (D-S.C.) and Michael Myers (D-Pa.), these crucial questions were separated off for hearing after the jury trial by a federal judge. Two dissenting members of the House Committee on Official Standards of Conduct, which moved to expel Myers from Congress, noted that until this constitutional issue was settled: "In no meaningful sense can it be said that Representative Myers has been 'convicted.' On the contrary, he has reached only the first milestone along a road of many junctions that might or might not lead to a conviction."

What the Clayton Brilab case demonstrated is that when a jury is given the opportunity to review these questions, along with that of guilt or innocence on particular charges, they weigh them carefully.

According to the report of *EIR* investigators in Texas, the Brilab jurors wanted to know why the Justice Department had chosen to "target" Speaker Clayton for a "sting," and they clearly disagreed with the department that he was "predisposed to any crime." As the above quotes indicate, many jurors felt proud to be represented by such men as Speaker Clayton, and they told *EIR* investigators that they were convinced the Justice Department was playing politics in its move to indict him.

Most jurors also objected strongly to entrapment

techniques which they viewed as unconstitutional and un-American, though they saw some possible use for the "sting" tactic in dealing with well-known drug pushers. And the jurors were disturbed that the federal government had artificially created jurisdiction over bribery cases which have always been a state legal matter.

The assessment of legal experts consulted by *EIR* on Speaker Clayton's acquittal in no significant way differs from that of the Brilab jurors. This fact again demonstrates the importance of presenting "due process" and other constitutional issues to a jury of peers and not simply to a federal judge as happened in the Abscam cases.

### **'A full-scale war'**

The Committee Against Brilab and Abscam (CABA), a national action group formed one month ago in the midst of the Brilab case, has carried on an educational campaign about these and other issues involved in Brilab-Abscam.

Press conferences to announce the creation of a new advisory board in Houston and New Orleans on Oct. 16 received wide media coverage. At the New Orleans conference which was attended by all the major television, radio, and newspapers for the region, committee spokesman Tim Richardson and advisory board member Ernest Colbert, president of the Southeast District of the Louisiana Laborers International, outlined the committee's goals.

"Brilab-Abscam," said Richardson, "represents a full-scale war against organized labor and its business and political allies. The committee will conduct an educational campaign on the entrapment methods of the Justice Department in conducting Brilab-Abscam. We will show that the Justice Department, using the cover of combatting white collar crime and labor racketeering, is engaged in a conspiracy to destroy regional machines by *creating* the crimes it claims to be combatting.

"We will show how the Justice Department has maintained a stable of real gangsters—at taxpayers' expense—to set up these crimes. We are fundraising for the defense of regional leaders charged by the Justice Department, organizing and retaining top-flight attorneys, and working with local investigators to collect evidentiary defense materials."

At the conference, according to the *Times-Picayune* in an article entitled "Brilab Opponent Says U.S. at War Against Labor," Richardson circulated a roster of 14 individuals who have joined CABA's advisory board. Many of these, like Colbert who served on former Louisiana governor Edwin Edward's Commerce Commission, are leading figures in local Democratic machines dedicated to maintaining the "delivery system"

for high-technology growth and jobs that is under attack in Brilab-Abscam.

Both the Teamsters and the Laborers Union, two of the principal trade union targets of the Justice Department, are heavily represented on CABA's board. Among these labor leaders are: Bill Bounds, president, Illinois Conference of Teamsters and president, International Brotherhood of Teamsters, Joint Council 65; and Rolland McMaster, general organizer, International Brotherhood of Teamsters.

Throughout the Texas Brilab case, committee members carried out a high-profile campaign of press conferences and educationals. According to the *Dallas Morning News* Oct. 17 in an article entitled "Anti-Brilab Committee Wants Prosecutors in Case Disbarred," CABA members have filed a complaint with the Texas Bar Association against U.S. Attorney "Tony" Canales who brought charges against Speaker Clayton. At the press conference, committee spokesman Richard Leebove charged that Canales had "browbeaten" witnesses in "flagrant violation of the canon of ethics."

One of the chief vehicles used by the committee was a pamphlet entitled, "Brilab-Abscam: Union-Busting in America," which was prepared by *Investigative Leads*, a subdivision of *EIR*. For the first time outside the *EIR* itself this mass-distributed pamphlet lays out the full scope of Brilab-Abscam: "There is a war going on this very moment on U.S. soil. . . . The casualties in this war already number well over 100,000. . . . Brilab-Abscam already exceeds the Palmer Raids of the 1920s and Stalin's Moscow Purge Trials." From this hard-hitting introduction, the pamphlet details the economics, constitutional questions, and outrageous tactics of the Justice Department in Brilab-Abscam.

In addition to Texas and Louisiana, the center of the Justice Department's Brilab "sting," committee members have intervened on behalf of other congressmen and labor leaders targeted by the department across the U.S. Richard Leebove, for example, toured Cong. John Jenrette's South Carolina congressional district last week where he held three press conferences attended by 10 local newspapers and five radio and television stations.

The committee's rapid growth confirms that the tide is beginning to turn against the Brilab-Abscam witch-hunters since the first sensational "leaks" to the media last February. And Speaker Clayton's acquittal is a benchmark in this process. According to a statement carried by the Texas state radio network and other Houston radio and TV networks Oct. 25, Dave Samuelson, Travis County commissioner and an advisory board member of the committee, the acquittal represents a "sound defeat":

"This decision confirms my faith in the American System of justice. It is the greatest system ever created. The wisdom of the average American proved superior

to the devices of outside manipulators.

"In this case, the forces of the international monied interests, that are out to enslave the American productive system, have been dealt a sound defeat."

### More Brilab indictments

Despite this mounting outcry at the injustice of Brilab-Abscam, the Justice Department has announced it will seek further Brilab indictments.

U.S. Attorney "Tony" Canales, the same man who said on Sept. 2 that he would use Brilab to "drive a stake through Billy Clayton's heart," has already announced that there will be further indictments in Texas. Grand juries in both Texas and Louisiana, where five people stand indicted on Brilab, are said to be preparing indictments against lesser figures caught in the Brilab net.

But, Speaker Clayton's total exoneration will cause serious problems. One case that it will immediately effect is that of L. G. Moore, head of the International Operating Engineers for a five-state region that includes Texas, who goes on trial in December. As Moore was alleged to be part of a conspiracy and his coconspirators were found not guilty, it is likely that this charge will be dropped.

Speaker Clayton's acquittal has also seriously undermined the credibility of Joseph Hauser, the twice-convicted insurance fraud artist used to set Brilab up, which was already much in doubt. Even the Justice Department had been forced to admit in a case in Los Angeles that it could not trust Hauser's unsubstantiated statements.

According to Linda Breakstone of the Los Angeles *Herald-Examiner*, a high-level department official told her: "This guy is really a flake. You can't trust anything he says unless it's backed up with a tape recorder."

The Brilab jurors certainly agreed with this unofficial department assessment. One juror told the *Houston Chronicle*: "It was a case of two different worlds colliding. One was the honest world of Mr. Clayton and the other was the one of . . . Hauser where everything was devious."

Yet, it is on the basis of Hauser's unsubstantiated statements that the department has "leaked" the fact through journalists with *Mother Jones* magazine, that it may seek to indict 20 leaders of the International Laborers Union. Each of these men is in fact a victim of Hauser, who plundered over \$30 million from Laborers' local pension funds in insurance fraud schemes from 1973 to 1976.

The fact that the department would seek indictments for these half-decade old incidents based upon the testimony of a notorious swindler such as Joseph Hauser, is clear proof of its intentions to smash the Laborers and other trade unions that have aggressively pursued the interests of their members.



# John Murphy's counterattack

*An Abscam target has sued NBC and the New York Times for double abuse of the First Amendment.*

*New York Congressman John M. Murphy, indicted in the Justice Department's Abscam "sting," has mounted a vigorous counterattack. Charging political character assassination by two Justice Department media outlets—NBC-TV's Nightly News and the New York Times—Congressman Murphy has filed libel suits seeking \$25 million in damages.*

*Murphy, a Democrat, had represented New York's 17th District (Staten Island) for 18 years, and is seeking reelection in 1980. He is currently chairman of the House Merchant Marine and Fisheries Committee, an important post for commercial and industrial legislation and the future of port development. He is supported by the International Longshoremen and maritime industries.*

*In Murphy's suit against NBC, New York State Supreme Court judge Charles Rubin ordered NBC on Oct. 20 to produce its reporters' records, notes, expenses, and so forth in court. On Oct. 28, NBC agreed to run a prominent retraction of their story, admitting that their federal sources were inaccurate, and Murphy has dropped his suit.*

*Congressman Murphy issued the following statement to the press at an Oct. 8 press conference in New York.*

I have called today's press conference to announce that I am in the process of serving legal papers constituting a libel suit on the National Broadcasting Company. Named as defendants in the suit, in addition to NBC, are: Fred Silverman, president of NBC; William Small, president of NBC News; and NBC reporters Jessica Savitch and Brian Ross.

My complaint states that in early February of 1980 the so-called Abscam investigation was revealed to the general public for the first time. It involved the alleged wrongful acceptance of monies by various members of Congress.

NBC's coverage of this event was handled on its Nightly News program of Feb. 3, 1980 by Jessica Savitch and Brian Ross. Savitch commenced her portion of the program by claiming that: "During the investigation, code named Operation Abscam, undercover agents paid out almost \$1,000,000 in cash to public officials including one U.S. senator and seven congressmen."

Thereafter Ross stated, among other things: "Federal investigators say Murphy [referring to me] actually introduced a bill in the House on behalf of a man he believed to be a rich Arab, but it was actually an undercover FBI agent. Authorities say the bill passed." . . .

The statement that "Murphy actually introduced a bill in the House on behalf of a man he believed to be a rich Arab" is absolutely false.

The statement that "the bill passed" is absolutely false. . . .

This action on the part of NBC and its reporters has caused me great injury personally—not to mention the harm caused my family—and set off a chain of media events relative to Abscam that haunts me to this very day. . . .

For example, on Feb. 4, 1980 the *Staten Island Advance*—which is read by perhaps 85 percent of my constituents on Staten Island—carried a headline story on Abscam which included the following: "Meanwhile, NBC News reported last night that Murphy actually introduced a bill in the House on behalf of the undercover agent, apparently to help the supposed sheik gain residence in the United States. The bill passed, NBC said." . . .

It would have been a very easy matter for Ross to determine the truth or falsity of what he said that night. . . . Any reporter familiar with Capitol Hill knows that, to all intents and purposes, private immigration

bills have not been introduced in Congress since 1973.

Any reporter on Capitol Hill knows there is a computer printout available to anyone in the press with a complete list of all the legislation introduced by me (or any other member) in the 96th Congress. *It takes 20 minutes to get the printout after it is requested from House Information Services.*

Any reporter on Capitol Hill knows that immigration matters are handled by the Committee on the Judiciary. The printed legislative calendar of that committee was also available to Ross for the two months he knew about Abscam. Had he taken a few minutes to look at page 316 of the calendar for the 96th Congress, he would have discovered at once that I had introduced no immigration bill whatsoever . . .

Finally, I would point to the other half of this illegal alliance—the Justice Department. The leakers in the Justice Department, in part, perverted justice with their illegal leaks. And the so-called investigation of the leakers headed by Benjamin Civiletti has made this perversion of justice complete.

The Abscam sting operation has been publicly described as the most mishandled investigation conducted by the Justice Department in its history, “a defeat for law and order” as referred to by Milton S. Gould of the *New York Law Journal*. . . .

On March 5, the attorney general expressed his outrage at the perversion of the multimillion-dollar investigation by the very men who were conducting it. He summoned all of his employees to the Justice Department’s Great Hall and lectured them on their responsibilities under the law . . .

Civiletti was so “embarrassed” and so “outraged” by the “leaks” that soon after the scope of the mismanagement became apparent he appointed Richard S. Blumenthal, a “highly regarded” federal prosecutor to conduct an in-house investigation at Justice to ferret out the “leakers.” It was to be a no-holds-barred investigation including the use of lie detectors. Who were the principal suspects? This is what was reported in a New York paper on February 3, 1980: “The major sources of the Abscam leaks to the *New York Times*, *Newsday* and NBC were Neil Welch, head of the FBI’s New York office, and Thomas Puccio, head of the Justice Department’s Organized Crime Strike Force for Brooklyn and Long Island.”

That was just over eight months ago and we heard no more about the “top priority” investigation—until May 7, when a quiet news story from “inside sources” at the Justice Department said that the results of the investigation would not be known until *after* indictments are handed up.

Well, the indictments have been handed up and the Blumenthal report has been kept under wraps. What is Civiletti afraid of? Why has his zeal to get at the federal

criminals in his own department cooled? Is it because he doesn’t want to impeach his top Abscammers?

Welch, who was referred to frequently in the article about Brian Ross, is now the head of law enforcement in the State of Kentucky and is writing a \$100,000 book in which Abscam is supposed to be “the crown jewel.” And Puccio, a prime suspect in the commission of a crime, is feverishly going after the Abscam defendants in *and* out of the courtroom. . . .

Where in this situation is the concept of equal justice under the law? I think it doesn’t exist and that is why I have begun to take corrective steps with this lawsuit.

*From Congressman Murphy’s statement at an Oct. 21 press conference announcing his libel suit against the New York Times. All emphasis is in the original.*

For 200 years of American constitutional history, two fundamental First Amendment propositions have coexisted in harmony: *first*, that there is value in a free, open, and vigorous public debate about public issues and public people reported by an uncensored press; and *second*, that every citizen—even a member of Congress—has the right to relief under the libel laws when subjected to false and malicious attack in the press. Both constitutional notions are sound and well established, and together they balance the public interest, on the one hand, with the right of the individual, on the other, to be free from character assassination.

Yesterday, I filed a suit in the Richmond County supreme court against the *New York Times* and several of its employees, publisher Arthur Ochs Sulzberger, executive editor A. M. Rosenthal and reporter Ann Crittenden. The suit seeks redress for the damage they have done to my reputation by their calculated, malicious libel—for exceeding their rights under our constitution by invading and subjugating mine.

When I recently brought a similar action against a television network, a reporter asked me rhetorically, “You’re a public figure, so we can say anything we want about you, can’t we?” Thereby indicating the all too prevalent—and incorrect—notion that there is virtually no limit on what can be said or broadcast about a public official. Well, the press is accountable—to the public. And they are expected to print the truth—and when they knowingly print or broadcast falsehoods—that is when they lie—they are liable to their intended victims.

Commencing in late 1976, The *New York Times* and its employees embarked upon a deliberate campaign to ruin my reputation, diminish my standing with the electorate, and hound me from public office. Their methodology was relatively simple: concoct a story and repeat it—filling it with damaging innuendo.

At one point, the *Times* indicated that I was the “target” of an official tax investigation—a nice story,

but totally false. At another juncture, the *Times* printed that I had been mentioned in secret tapes of conversations in the Korean Blue House as the recipient of illegal gratuities offered by the Korean government. This untruth came from anonymous congressional employees who had neither seen nor heard a tape, at a time when responsible officials denied their very existence. And note that the House Ethics Committee formally determined that I was never involved in any impropriety whatsoever. Then, the *Times* claimed I had suppressed an official GAO report on pending maritime legislation—when, in fact, I had caused that very report to be entered in the public record the very day it was received.

The publication of these falsehoods was neither haphazard nor accidental; nor were these the only examples of the *Times's* reckless disregard for the truth. Each new wave of misrepresentation was planned to coincide with an event on the political calendar, just before the primary or general election, at the time for selection of committee chairmen of the House or at some other point of perceived vulnerability. And each effort acknowledged the assistance of unnamed government or congressional sources who themselves violated legal and ethical standards in their haste to abet libel.

Perhaps the most intriguing aspect of the entire campaign is the neat “catch-22” created for someone in my position: A newspaper or television station lies, thereby libeling me, and I file suit. The press then claims that their claims are accurate, citing government sources. Who are those sources? “Well, we can’t tell you because we are protected by an implied First Amendment right . . .

Stripped of exotic legal arguments, it is all rather rudimentary—certain persons in the media think they can lie about you and get away with it. . . .

The lawsuit deals with the Crittenden article of October 22, 1979, entitled “Murphy Reportedly Subject of 3 Inquiries.” In this article Crittenden dressed up certain charges that she has leveled at me since 1976 and concocted a few more. I have had the article blown up on the display boards with the false statements underlined.

I wrote a letter to the editor of the *Times* on October 30, 1979, outlining in detail the baseless nature of her charges. I asked that in fairness to me it be printed. Ten days later I was advised that I must keep my defense to less than 500 words—this after three years of vilification. So I was forced to pay almost \$10,000 to buy space to give a full and detailed reply.

But for a lady who told one former staff member of the Ethics Committee, “Murphy ought to be in jail,” and that she was going to “get Murphy,” this ad apparently only spurred her and the *Times* on. Just last August 28, a little more than a week before my primary, Crittenden and the *Times* were ready to take another shot at Murphy. Fortunately for the truth, Crittenden went on vaca-

tion after she submitted her “story.” A rewrite person called the chief counsel of the Merchant Marine and Fisheries Committee and asked for comment. He was so flabbergasted by the outrageous lies contained in the article he demanded to speak to the *Times* libel lawyer. The upshot was that that portion of the story dealing with me was dropped in the article that appeared on August 28.

This was the first time in a story of this nature the *Times* didn’t print multiple paragraphs of libel and write at the end, “a Murphy aide denied the charges.”

And the ripple effect from Crittenden’s and the *Times's* lies is lasting and pervasive. Their speculation becomes another newspaper and TV show’s fact. This has happened time and time again in such diverse news vehicles as the *Village Voice*, the *Washington Star*, the *Washington Post* and NBC news. . . .

In my lawsuit I have charged that the *New York Times* on October 22, 1979, printed, published, and circulated false, malicious and defamatory libel with malice and intent to injure me knowing that it was false.

For example, the statement that I was the subject of an inquiry for failure to report income for tax purposes *is false*.

The statement that I “. . . may not have reported income” *is false* and wrongfully and maliciously infers and implies that I violated Title 26, the Internal Revenue Code. . . .

The Crittenden article then states: “. . . The same sources explained that most of this income appeared to be from non-Korean sources, particularly maritime interests. Mr. Murphy is chairman of the House Merchant Marine and Fisheries Committee, as well as a ranking member of the Commerce Committee.”

The statement that “Most of this income appeared to be from . . . maritime interests” *is false* . . .

I do not believe that the Founding Fathers created the First Amendment as a sanctuary from the truth—as a convenient ethical haven where one can flee, abandon responsibility, and trample reputations. On the contrary, I believe that its protection carries with it a grave responsibility—and not merely for public officials. Somewhere, somehow, our people are entitled to the reasonable expectation that what they are reading is the truth, and in this case there is good reason to believe they have been disappointed.

Early on in a political career that now spans two decades, I learned how to take the heat, to paraphrase Harry Truman. Every politician learns to live with a slanted story here or an honest error there. That is not why I am in here today. My actions today originate in my belief that there has to be a formal response to the drumbeat of distortion by a reckless news media which has abused its obligations to our citizens to report news fairly and accurately. . . .

# Lame duck session faces funding decisions

*For the first time since the Truman administration, the U.S. Congress will reconvene after the November election for a lame duck session beginning Nov. 12 to complete work on the fiscal 1981 appropriations bills, to fund government agencies and programs. Other legislation detailed below is expected to see floor action during the session.*

**APPROPRIATIONS:** Ten of thirteen appropriations bills remain to be completed. The House has passed all but the foreign operations appropriations, while the Senate has only completed work on the HUD appropriations. A number of issues in the remaining bills are considered highly controversial, and will be hotly debated during the session.

Under *agriculture*, HRpt 96-1095 was passed by the House July 30. All funding levels for discretionary programs will be subject to debate.

An amendment to the State, Justice, and Commerce appropriations bill pertaining to the *Soviet grain embargo* was added on the Senate floor to prohibit funds for these agencies being used to continue the embargo. The amendment was passed by the Senate, but the entire appropriations bill has not; the issue is to be resolved by conference committee. Senate supporters of the amendment believe that House members who did not previously back the amendment out of courtesy to President Carter in the preelection period, will vote for the amendment now.

*Labor/HEW* (HRpt 96-1244) was passed by the House on Aug. 27 but has not come out of committee in the Senate. Funding for Title 6 of the CETA public service jobs programs will be contested, as it was in the continuing appropriations bill. The Senate had virtually eliminated funding for the program, later restored in conference.

*Defense* (HRpt 96-1317) passed the House Sept. 16. Much debate is expected over the \$5.8 billion added by

the House to the President's requests for aircraft and shipbuilding. Another controversial issue is the Maybank amendment deleted by the House. The amendment prohibits the Pentagon from spending additional monies in order to award contracts to companies in areas of high unemployment. Defense Department officials fear that if they are forced to award contracts to high unemployment areas, they will lose steady contractors, causing problems with standardized parts and a stable mobilization base.

*HUD* (HRpt 96-1114, SRpt 96-926) has been passed by both the Senate and House, but the conference committee has not yet reconciled the two versions. The major area to be reconciled deals with NASA funding. The House wants Congress to be able to delay any NASA program that goes over 10 percent of the level established by Congress. The Senate feels that this gives the Appropriations Committee too much power. Another major issue to be resolved in conference is the question of state funding for disaster relief. The House wants states to provide 25 percent of disaster relief, while the Senate has not set any level.

*State, Justice, and Commerce* (HRpt 96-1091, SRpt 96-949) was passed by the House July 23. It was taken off the Senate floor just before Congress recessed for the election, due to controversy over proposed amendments that would not allow any Justice Department funds to be used to finance school busing. Another controversial aspect of the bill includes funding for the Economic Development Administration, funded by the Senate at \$120 million over the House funding.

The State, Justice, and Commerce appropriations bill also contains cuts in the *Drug Enforcement Administration* budget that will cripple U.S. narcotics enforcement. It is scheduled for Senate floor action Nov. 12. Grassroots groups are mobilizing to stop the cuts, but there is no word yet from the Congress as to whether amendments will be offered to forestall the cuts.

*Foreign operations* (HRpt 96-1207) has not yet been passed by either the House or Senate. The measure includes all foreign aid programs, many of them controversial, including the funding for the Export-Import Bank. Utah Republican Senator Garn is expected to try to increase the funding for the Ex-Im Bank.

Other appropriations bills still to be passed by the Senate include the District of Columbia (HRpt 96-1271), Interior (HRpt 96-1147), Legislative branch (HRpt 96-1098), and Treasury/Postal (HRpt 96-1090).

**BANKING:** The *Export Trading Company bill* was passed unanimously by the Senate Sept. 3, but has faced strong opposition in the House, led by Financial Institutions Subcommittee chairman Fernand St. Germain (D-R.I.). The bill allows banks to join with corporations to form export trading companies to expand foreign sales. Many

small banks fear that the bill, which would allow banks to join trading companies across state lines, would give business to the major banks to the detriment of small, regional banks. Despite St. Germain's opposition, his staffers fear that House leadership may try to sneak it onto the House floor during the lame duck session.

The House will try for final passage of the *Credit Control Act* provision of the Council on Wage and Price Stability authorization bill to phase out the Credit Control Act of 1969. The Act presently allows the White House full control over all credit allocation, and was used by the Carter administration to invoke compulsory credit regulation by the Federal Reserve Board.

A *thrift institutions amendment* to a House-passed bill (H.R. 5625) that prohibits banks and bank holding companies from acquiring thrift institutions must be passed again by the House since the tacked-on amendment to strike a medal for A. Phillip Randolph has been introduced.

The *Farm Credit Act of 1980* passed the Senate unanimously, and includes provisions to allow the Bank for Cooperatives to engage in international trade, and strengthens the Federal Credit Administration, giving it added power to discount money to nonmember institutions.

**REVENUE SHARING:** *General Revenue Sharing* legislation (H.R. 7112) that allocates funds for 39 localities expired the last week in September and must be passed by the Congress.

**INTERIOR:** The *Alaska lands* bill, which keeps millions of acres of Alaska lands from development by mining, oil, and forest products industries, has been passed in different versions by the House and Senate. Opponents of the much more restrictive House version hope to avoid a conference committee, trying through private negotiations to eliminate the more extreme House provisions. But the actual compromising is not expected until the lame duck session begins.

**NATIONAL SECURITY** Floor debate is planned on the *Agent Identity Disclosure Bill* (H.R. 5615, S. 2216) which imposes a jail sentence and fines on those who disclose the identities of intelligence agents.

**ENERGY:** Approval of close to 100 Carter *appointees* has been held up by the Republicans, pending the outcome of the November elections. The appointees include the members of the Synthetic Fuels Corporation board and the chairman of the Nuclear Regulatory Commission, Albert Carnesale.

The *Northwest Power Bill* (S. 885) to allow the Bonneville, Washington Power Authority to purchase power

from other utilities, combine it with Bonneville's hydro-electrically-generated energy, and sell it more cheaply to regional industries and utilities will come up on the House floor, despite Oregon Democrat Jim Weaver's minifilibuster in the prerecess session. The legislation has already passed the Senate, and is critical to avoid jurisdictional squabbles among states, utilities, and industries in the region and an energy shortage early in the decade. Environmental opposition has centered on the legislation as a government boondoggle for industry.

Legislation to establish four demonstration sites to deal with reprocessed *nuclear waste* sponsored by Cong. Mike McCormack (D-Wash.) may get onto the House floor during the lame duck session. McCormack's legislation for unlicensed, demonstration sites would circumvent environmentalist attempts to stall permanent waste disposal by sidestepping many of the controversial issues involved in a final solution such as states' rights and waste site licensing.

A bill to promote *coal slurry pipelines* (pipelines to transport pulverized coal mixed with water) will probably see action on the House floor during the lame duck session, but sources indicate that the Senate will want to delay it to the next session in order to study the issue more fully.

**DRUGS:** The Senate version of the massive criminal code reform (S. 1722) contains a provision to virtually *decriminalize possession of marijuana*, while the House version leaves existing criminal penalties essentially intact. Sen. Charles Mathias (R-Md.) reportedly has clear sailing with an amendment to knock out the decrim section of S. 1722, restoring existing law along the lines of the House version. The real fight will be over whether action on S. 1722 is ever completed in the Senate. Any number of controversial issues, such as gun control or the death penalty could provoke a conservative filibuster that may kill the bill in the time-short lame duck session. Speculation on the Hill is that if Reagan wins, Republican Sen. Orrin Hatch of Utah, who has helped work out compromises on the bill, will allow it to die, knowing that executive branch impetus for the reform would disappear.

**LABOR:** Congressional action on *extending unemployment benefits* an additional 10 weeks in hard-hit states is still awaiting resolution in the lame duck session. The simple benefit extension, whose passage was expected during the September session, was stalled when a group of senators added cost-cutting amendments that would cut up to 25 states out of extension eligibility. The House refused to accede to Senate amendments and sent the bill to conference pending the reconvening of Congress.

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# National News

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## Steelworkers are losing SUB benefits

The White House would rather not talk about it, but thousands of steel workers have exhausted their supplemental unemployment benefits. United Steelworkers (USW) officials report that SUB funds are verging on bankruptcy; benefits ran out this month for most workers laid off at U.S. Steel, Bethlehem, and Allegheny Ludlum. According to a USW spokesman, most unemployed members have already, or are about to, run out of state and federal unemployment benefits as well.

The USW, whose top leadership has endorsed Carter, officially tells callers that it has no up-to-date figures on how many former steel workers are receiving SUB pay or even how many are unemployed. They say such figures could be used to hurt the President's electoral chances. The Bureau of Labor Statistics reports that about 300,000 workers in steel and related industries are unemployed.

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## California declares war on pot growers

Employing the combined capabilities of local, state, and federal agencies, California authorities are conducting hundreds of raids, seizing thousands of pounds of marijuana, and making scores of arrests against an illicit activity that is expected to gross between \$500 million and \$1 billion a year.

Operation Sinsemillia, named after the strain of marijuana plant being grown, is a million-dollar program, led by state attorney general George Deukmejian. It employs the resources of the California State Bureau of Narcotics Enforcement, local police and sheriff's departments, and the federal Drug Enforcement Administration and Customs Bureau.

The campaign was launched follow-

ing the defeat of a case by the growers before the state supreme court attempting to force law enforcement agencies to stop conducting aerial surveillance of pot farmers for "environmental" reasons.

Steve Helsley, chief of the state's Bureau of Narcotics Enforcement, told the press that he hopes this year to treble last year's 522 raids against marijuana farms. "Along the North Coast," Helsley asserted, "we think we've nipped it in the bud."

Marijuana cultivation is so widespread in other areas, however, that Helsley says the only way to deal with it is to apply paraquat and deploy manpower, planes, and intelligence from the Army and Navy.

A confidential report by the Drug Enforcement Administration lists marijuana as California's tenth largest crop. Some list it as high as third or fourth. Criminal syndicates put up the capital and own the land, letting "sharecroppers" do the farming for a cut of the profits or an allotment of the crop.

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## Antidrug coalition hits enforcement funding cuts

The National Anti-Drug Coalition has initiated a campaign to reinstate over \$3 million in cuts from the federal Drug Enforcement Administration (DEA) budget. The coalition will lobby the special session of Congress that begins Nov. 12, where the first Senate agenda item will be an appropriations bill covering the Departments of State, Justice, and Commerce, and the judiciary.

Also up for funding will be the FBI, whose Abscam/Brilab crusade against "white-collar" crime has drawn sharp criticism from the group. According to the NADC, under the Carter administration, prosecutions of white-collar crime have increased dramatically while drug and drug-related crimes have gone virtually unprosecuted. "If budget considerations demand that cuts be made," declared a spokesman, "money should come out of the witchhunts against Carter's enemies."

Washington lobbyists for the group have been told by Senate offices that there is a good chance the administration will restore up to \$2 million in funding for U.S. DEA task force cities, but that the Paris DEA office, which until Oct. 1 oversaw drug enforcement in Europe and the Middle East, will not be refunded unless DEA head Peter Bensinger demands it.

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## Byrne to gain from Pinelands bill?

Two bills released from committee in the New Jersey state legislature last week would bar Gov. Brendan Byrne's Pinelands Commission from controlling the "outer ring" of the 1,500-square-mile New Jersey pine forest.

Critics of the Pinelands Commission appointed by liberal Democrat Byrne have charged the governor with harboring financial motives in supporting the preservation of the full 1 million acres of the New Jersey pine forest. The outer ring of the pine forest, which critics say should not be set aside as a preservation area, abuts directly on Atlantic City.

Further development of the Atlantic City area would require expansion into the already settled outer ring of the pine-lands. A law prohibiting development in the outer ring would mean that holders of existing Atlantic City real estate would reap huge benefits in rent increases as demand for land in the city increases.

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## Bill Buckley defends Bohemian Grove customs

Columnist William Buckley hurried to San Francisco this week to testify in court on behalf of his favorite club, the all-male, 100-year-old Bohemian Grove Club, which is under attack for discriminatory practices. Speaking in favor of the exclusion of women even from servants' jobs, Mr. Buckley explained that having



## Briefly

● **A FUSION ENERGY** Foundation series of seminars on U.S. reindustrialization continued Oct. 28 in Chicago when 100 business, labor, and professional leaders heard fusion pioneer Dr. Robert Moon of the University of Chicago, Illinois cement masons union president Ron Thelin, farm expert David Diehl, FEF fusion specialist Charles Stevens, and *EIR* editor-in-chief Criton Zoakos.

● **ARTHUR BURNS** stated in a recent speech to the American Jewish Committee that "this has been a wasted recession." Since it has failed to stop inflation, the former Fed chairman said, it might have to be repeated.

● **FORMER ISRAELI** defense minister Ezer Weizman endorsed Jimmy Carter this week, prompting disclaimers from the Begin government. The endorsement came during a Cleveland tour on behalf of the Carter campaign by Weizman, Jerusalem mayor Teddy Kollek, Middle East envoy Sol Linowitz, and the national executive committee of the American Jewish Committee.

● **CRAVATH, SWAINE** and Moore are replacing notorious criminal attorney Roy Cohn as defense counsel for *Our Town* writer Dennis King in a multimillion-dollar libel suit brought against the New York "throwaway" newspaper by *EIR* founder Lyndon H. LaRouche, Jr. "Less than admirable conduct" is the characterization applied to the Cohn firm, Saxe, Bacon and Bolan, by the straight-laced Cravath firm in an affidavit submitted in the case. Cravath, Swaine normally refuses all *pro bono* cases, but is defending *Our Town* for free. Cohn's firm's reputation is such that Martindale Hubell, the lawyers' "Who's Who", has absolutely refused to list the firm in its national roster.

women present in any capacity would "dilute the consistency and affect the nature of the whole experience . . . of sitting around in rough clothes, and listening to improvised music and drinking booze. . . . Men can decently love each other, and women cannot understand."

The *Baltimore Sun's* Oct. 24 account, which we paraphrase here, continues: Others testifying on behalf of the one-sex environment noted that activities at the club get "very, very boisterous," with members running around in the nude and portraying women in the club's shows (perhaps not both at the same time). The club's secretary testified that he had played the role of a wood nymph wearing a body stocking with wings attached. Mr. Buckley noted that without women, the club's 17-day annual retreat is "a unique regenerative experience."

### Kissinger talks about bipartisan policy

Attending an address by Henry Kissinger at a dinner at the Woodrow Wilson Center in Washington on Oct. 23, *EIR* was interested to hear the exceptional praise the former secretary of state heaped on the late Hubert Humphrey. "Hubert was an important influence in my life—a man from whom I received inspiration," Kissinger stated. According to Max Kampelman, a prominent Democrat who directs the center, the feelings were reciprocated by the late senator: "Kissinger is a man for whom Hubert Humphrey had the most profound regard and personal affection, who might have become a Democrat if Humphrey had won the 1968 election," Kampelman said.

Kissinger proceeded to call for "a bipartisan foreign policy. It cannot go on forever that the United States assumes responsibility for the defense of Europe while our allies pursue in effect neutral policies in the Middle East and in effect different policies in East-West relations."

Kissinger added that "economic development in developing countries tends

to produce political instability rather than stability. In a feudal society the movement into cities uproots peoples from their traditions and creates a sense of dependence. . . ."

### Test case for carcinogen ban

The U.S. Department of Agriculture is currently suing 154,000 pounds of beef. The suit could be decided next week in federal court in Wichita, Kansas, and the decision could call into question the methods used to classify hundreds of pesticides, herbicides, food and feed additives as cancer causing.

The USDA is attempting to destroy, as "adulterated and impure," beef that was treated with the growth hormone DES (diethylstilbestrol) and slaughtered in April. The beef was discovered during a dragnet by the USDA and Justice Department on feedlots throughout the nation.

The human defendant is Judd Lackey of Jarboe-Lackey Feedlot in Parson, Kansas, the owner of the beef. Lackey charges that the government cannot prove there is any DES in the flesh of animals, since previous tests have discovered trace amounts only in livers and kidneys. Most importantly, Lackey charges that the government cannot prove that DES is a carcinogen.

If the court finds that the government must prove that a substance positively causes cancer, rather than merely asserting that tests indicate that it may, a legal review of the entire realm of supposed carcinogens could start.

The Kansas federal attorney has been replaced on the case by a team of lawyers from the FDA, USDA and the Consumer Affairs section of the Justice Department's Antitrust Division. Dr. Spaulding, head of the Residue Evaluation and Planning Staff in the Surveillance Division of the Food Safety and Quality Service of the USDA, said this week that the administration is "very concerned" about this case, and refused further comment.

## The Carolina wilderness story

*The U.S. Forestry Service hints at a shift away from Bergland's mineral lock-up.*

**G**eorge Olson, Supervisor of National Forests for North Carolina, has recently announced what can be a possible improvement in recent federal land use policy. Late last month, Olson, in charge of the Agriculture Department's Forestry Service in what could be one of the nation's most mineral-rich regions, the Appalachian Overthrust, told local press, "I made the decision today that we should consent to leases" for oil and gas exploration permits. A recent study by the U.S. Geological Survey has indicated that a vast untapped belt of potential oil and gas resources lies along the range from Pennsylvania state down to Alabama.

Olson has recommended approval for exploration in the region to the Federal Bureau of Land Management. Following release of the U.S.G.S. study, AMOCO, the nation's largest domestic oil producer, applied for exploration leases on 220,000 acres of federal lands in the Pisgah National Forest and Nantahala National Forest in western North Carolina. A company spokesman announced that they would not have applied for the leases "if we didn't have hopes of finding marketable hydrocarbons".

This generally unheralded announcement is worth noting for several reasons. In my Sept. 2 column, I devoted space to a possible precedent-setting legal challenge by a group in North Carolina against the alarming federal trend

of using the Roadless Area Review and Evaluation, or RARE II, process to perpetually lock up millions of acres of land rich with uranium and minerals.

The recent AMOCO decision is an indication of opposition to this policy that is beginning to yield some hopeful signs. By at least one calculation, we already have been forbidden from even prospecting and surveying land acreage equivalent to 25 of the 27 states east of the Mississippi. The Carter administration has locked up some 120 million acres of oil-rich Alaska lands pending a final decision by Congress on permanent wilderness designation. The eastern wilderness fight is especially interesting because the Eastern Wilderness Act of 1975 forbids Bergland from doing what he has done with great abandon in western states.

Yet, as the North Carolina case correctly protests, Bergland has chosen to ignore law and forbid any exploratory activity in millions of acres designated for "further study." But the 1975 law calls for "evaluation of resources before there is withdrawal." Bergland until now has used the "further study" category to prevent such evaluation, and administratively lock up millions of acres of rich lands.

Apparently the evaluation of the U.S. Geological Survey was too embarrassing for Bergland. The acid test will be whether the federal Bureau of Land Management over-

rules Olson's determination.

I recently talked with a local attorney in Winston-Salem, North Carolina, Hamilton C. Horton, Jr., who has been actively involved in the legal fight to reverse the government's neanderthal policies regarding wilderness exploration. Commenting on the significance of the recent Forestry Service decision, Mr. Horton told me, "We are still not out of the woods" on this issue, although "this is the only place in the country that I know of where the Forestry Service has made such a ruling" in recent years. Horton attributes this to a powerful regional organizing job carried out by groups willing to fight a seemingly endless tangle of federal restrictions on energy development.

Bergland's office in particular has increasingly taken to overriding the experience of seasoned professionals such as Olson in favor of new staffers with a bias toward the no-growth philosophies of groups such as the Sierra Club. In fact, the current head of the U.S. Forestry Service, Ruppert Cutler, was previously a leading ideologue of the Wilderness Society, the anti-growth exponent of such liberal foundations as the Atlantic Richfield Foundation and the Rockefeller Family Fund.

Horton cautions that the restrictions placed on AMOCO's efforts to find oil and gas in this lucrative basin may be hamstrung to the point of absurdity. One proponent of "pristine wilderness" has seriously proposed that any exploration in such study areas be conducted under such restrictive conditions as bringing oil drilling rigs into the forest on sleds or landing them by helicopter to avoid "denting" the wild undergrowth.