

# EIR

Executive Intelligence Review

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The lineup for the French elections  
How Ayatollah Khomeini has remained in power  
Exclusive interview with Shahpour Bakhtiar

**Immigration policy:  
A new start for U.S. relations?**



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# EIR

## From the Editor

Our cover story this week was put together by *EIR*'s team of experts on Mexico, headed by Latin America Editor Dennis Small, who has just completed a series of conferences and private meetings in Mexico City, Monterrey, Houston, Los Angeles, and Washington, D.C. Mr. Small has found, as I did on my recent trip to Mexico, that business and government circles on both sides of the border are interested in a big change—and oil-for-technology deals plus a totally new approach to immigration policy are top on the list. An adequate U.S. approach to Mexican immigration will not only maintain the short-term "safety valve" for our southern neighbor, but contribute to the economic growth of both partners.

In this week's Special Report, Middle East Editor Robert Dreyfuss outlines the answers to the current ciphers in the Iran situation—the strength of the exile movements, the effects of the Iran-Iraq war, the factional situation in Teheran, and, above all, the reasons why the Ayatollah Khomeini is still in power, despite chaos and vanishing support on all sides. Drawing on discussions with exile leaders in Europe and the United States, Mr. Dreyfuss underscores the oil-price question as uppermost in the minds of Khomeini's international backers—who, it appears, would find it hard to withstand a forceful move from Washington to unseat the mad mullah.

An exclusive interview with Shahpour Bakhtiar, ousted by Khomeini in 1979, addresses these themes.

Our International coverage leads with a guide to the April-May presidential elections in France, documenting how the same political machine controls Socialist Mitterrand and right-wing Gaullist Chirac. In our Economics section you will find a report on the "interest-rate disarmament" conference of the Group of Five, and the battle in West Germany over the fetish of central bank independence. An analysis of the Third World Eurodollar debt crisis, and an update on Argentina, show the other side of the credit-crunch picture. In another exclusive interview, Democratic Senate leader Alan Cranston voices his dissent from Federal Reserve policy.



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**On the cover:** Mexican President José López Portillo with Ronald Reagan at the start of their promising border meeting this January. UPI

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# The promise of Columbia

During two historic days last week the majority of the American population was looking up. Millions watched the maiden voyage of NASA's Space Transport System (STS), the Space Shuttle Columbia.

Americans were filled with a renewed feeling of accomplishment and joy. As Columbia astronaut Robert Crippen said last week, "America needs the Space Shuttle. Our country has had few things to be proud of in the last decade. The Space Shuttle is going to remoralize America."

The manned Columbia orbiter that circled the earth 36 times marks one of the finest achievements of American science and technology. Following the Voyager tour of the planets, it was the second great achievement of NASA in the past two years. And it was the first manned flight into space since the joint U.S.-Soviet Apollo-Soyuz flight in 1975, offering an entire new generation of American children the opportunity to see man traveling into space.

The Columbia is the first reusable vehicle ever to leave the earth's atmosphere; it can be relaunched for dozens of further voyages. The most technologically complex machine man has ever launched into space, the Columbia opens up a vast new frontier of flight travel and exploration for humanity. The Space Shuttle Columbia—and three more orbiters now in production—will open up space as the railroad opened up the American continent in the last century.

In space, the STS will enable man to work, to service already existing labs and satellites, to transport new structures, and to carry out continuous scientific work and experimentation.

It is this potential that so sparked that old sense of American pride and dedication to science and progress. And the magnificent precision of the voyage brought forward great joy in the human potential to control the universe for mankind. In short, the awesome achievements of the Columbia voyage include delivering a sharp black eye to the zero growthers

dedicated to convincing the American people that the American dream of conquering limits is a thing of the past.

The *New York Times* and other leading proponents of zero growth in general and NASA budget slashes in particular snarled like proverbial dogs in the manger at the nation's exhilaration. The morning after Columbia's triumphant precision landing, the *Times* editorialized: "Some dream of space colonies and mining enterprises on other worlds. . . . The danger of the Shuttle's success is that it will tempt America to contrive tasks for it simply because it exists. We had best let the euphoria subside. . . ."

Indeed, the Columbia opens the way to rally the citizenry behind a rededication of the nation to the moral purpose for which it was founded—the extension of human progress.

Now there is a job to be done. We must tap the reawakening of the American dream, and ensure that the 10 percent cut that OMB director David Stockman has slated for the NASA budget is turned around.

The day Columbia took off, launch director Frank Page was asked by a reporter, "How many more launches like this one before we get the fifth orbiter?" The orbiter was produced for the Space Shuttle fleet, but has been stricken from the budget. "That is something you should be asking the senators and congressmen," said Page appropriately.

It is now time for some new-style "shuttle diplomacy." The challenges of the 21st century are before us. The Columbia mission proved without a doubt that nearly two decades of zero-growth propaganda, the near destruction of our educational system, and the drug plague have not yet wiped out this nation. We must use the great potentials of Columbia to end once and for all the budget-slashing and high-interest policies designed to ensure a "postindustrial age." Let's get America back to work in the business we know best—the business of progress.



**“The environmentalist-terrorist groups are merely infantry divisions deployed by some of the most powerful political forces in the United States.”**

— Robert Greenberg  
Editor, Investigative Leads

Over the last decade, the United States and other industrialized countries have been under all-out attack by the forces of the so-called environmentalist movement. Radicalized youth, “social-activist” lawyers of the Ralph Nader variety, and “expert studies” have all been combined to convince many that growth and prosperity are things of the past.

Now, *Executive Intelligence Review* is making available a comprehensive study on the environmentalist movement, showing how the movement is controlled from top to bottom by some of the most prestigious power centers in the United States: New York-based foundations and law firms, and federal agencies, under the umbrella of the Council on Foreign Relations.

## Who Controls Environmentalism?

A special report prepared by *Investigative Leads*, a research arm of *Executive Intelligence Review*.

Available December 1, 1980. \$50.

For ongoing domestic and international intelligence, subscribe to the 64-page weekly journal, the *EIR*. For ongoing intelligence on the environmentalist movement, subscribe to *EIR*'s bi-weekly newsletter, *Investigative Leads*.

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## Nation-states versus the central banks

by David Goldman

In the backwash of last week's confrontation between the finance ministers of the leading Western countries April 12 in Paris, the issue of *central bank independence* has emerged as the most pressing political question in Western Europe, as well as the United States. A point of crisis has been reached comparable to the 1575 "Spanish bankruptcy," which was not a bankruptcy at all, but a take-over of the Spanish state by Genoa-centered private bankers. This established for the first time in modern history the principle that the finances and currency issuance of a great nation could be directed "independently" of the national state. The Piacenza Fair of 1579 is the original of the present Bank for International Settlements.

The brutal and open acrimony between West German Chancellor Helmut Schmidt and the president of the German Federal Bank, as well as the *Sitzkrieg* between the U.S. Federal Reserve and the other branches of the American government, are symptoms of an historical turning point. As Renée Sigerson discusses the problem below, the monetarist program exercised in the United States, Britain, and West Germany during the past 18 months has put large sections of the world credit markets into de facto bankruptcy. The alternatives come down to a debt reorganization of one form or another under the auspices of private international institutions, in particular the Basel-based Bank for International Settlements, which performed the same offices in 1931; or a general repudiation of monetarist doctrine by the leading Western nations in the weeks or at most months ahead. The former alternative presumes a drastic program of auster-

ity both for the advanced and developing sectors.

However, national governments have found that they confront a *constitutional issue* in attempting to roll back the monetarist program. Both the 1913 Federal Reserve Act and the 1955 *Grundgesetz* of the German Bundesbank establish monetary policy as a "fourth branch of government" independent of the legislature or executive. In this context the principal allegiance of central bankers in the United States, West Germany, Italy—and other nations where the "independent" banks of issue have created a self-selecting fraternity—is not to their home countries, but to the Bank of International Settlements.

### The London impasse

Last weekend's sequence of events illustrates how urgent the constitutional issue has become. The finance ministers and central bank governors of the U.S., England, Japan, Italy, West Germany, and France (the Group of Five) met in extraordinary session in London, partly to plan next month's International Monetary Fund meeting in Gabon, but principally to air European demands for *global interest rate reduction*. The convening of the London meeting followed a public demand from European leaders at Maastricht in the Netherlands on March 24. To emphasize his personal role in the matter, Chancellor Schmidt sent his economic aide Horst Schulmann rather than finance minister Hans Matthöfer as chief of the West German delegation. As expected (see *EIR*, April 14) French Finance Minister René Monory demanded that the U.S. collaborate in bringing down interest rates, and in establishing emer-



gency funds for condition-free aid to the developing countries, who have suffered worst from double-digit interest rates. Schulmann supported Monory (who made the opening European presentation), while the West German central bank governor, also in attendance, demurred that present high inflation levels made high interest rates inevitable, laudable as the objective might be.

The Japanese supported Monory on both grounds (Finance Minister Watanabe had stopped off in Bonn before the London meeting), but on condition that no open pressure be brought against the United States. "We share a similar feeling to that of the French," a senior Japanese aide told *EIR*, "that it would be desirable to have the United States lower interest rates. But we must agree reluctantly that the United States may need high interest rates now to fight inflation."

Donald Regan, the American Treasury Secretary, made the expected reply: that under no circumstances could the U.S. even consider lowering interest rates until the tax and budget plans of the administration had been approved by Congress. Once this was accomplished, Regan explained to no one's satisfaction but the British, rates would come down in and of themselves. Fed Chairman Paul Volcker, also in attendance, had already set the meeting's tone by pushing the federal funds rate in the U.S. money markets up by about 2 percentage points in the preceding week (to roughly 15½ percent).

The meeting broke up without results, and the fight at the level of financial diplomacy will resume in a month when the same ministers, along with their Third World counterparts, meet in Gabon for the Interim Committee, or steering group, of the International Monetary Fund. The central bankers immediately flew to Basel for the regular monthly meeting of the Bank for International Settlements, where the German central banker Karl-Otto Poehl reportedly offered full support to his American and British colleagues, while other central bankers praised Poehl's recalcitrance against the German government.

A central banker present at the meeting but who asked not to be quoted told *EIR*, "What Monory asked at the London meeting was unacceptably, unutterably stupid. The heads of state who put out that statement from Maastricht [on March 24] must have been dreaming that they will lower interest rates! Volcker is totally secure in the United States."

He added, "Not until there is a global agreement on fiscal stability will interest rates come down," that is, the central banks will accept the substitution of fiscal austerity, in the form of budget cuts, for monetary austerity. The same theme was a principal subject of a conference in Frankfurt the same weekend of the Group of 30, a private advisory group to the International

Monetary Fund chaired by former IMF Managing Director Johannes Witteveen. Witteveen told a London press conference afterwards that he was concerned about the effect on the developing countries of present high interest rates (the LDC's as a group will pay an extra \$15 to \$20 billion this year in additional interest costs due to the June to January rise in dollar interest rates). Instead of the present "over-reliance on monetary policy," Witteveen urged Western countries to adopt *wage and price controls* as an alternative method of combatting inflation, an approach also urged editorially by the London *Economist*.

### Schmidt's hubris

Chancellor Schmidt, however, is not playing by the usual rules. The signal importance of the previous week's joint Franco-German \$6 billion loan on the Euromarkets, which will apparently be taken up substantially by Saudi Arabia (which has in any event doubled its rate of investment in West Germany from last year's rate of \$10 billion per year), was the subject of a lead editorial in the April 15 *Frankfurter Allgemeine Zeitung*. The *FAZ* writer, Wilhelm Zeuss, wrote, "The *éclat* between the Chancellor and the Bundesbank is unsettling for those who want a stable monetary policy." He explained that the original form of the Saudi loan proposed by Schmidt, a subscription denominated in the European currency-of-account, the European Currency Unit (or ECU), was a plot to subvert the monetary authority of the Bundesbank. If the loan were denominated in ECU, it would have extended—at least symbolically—the role of that unit from a measure of drawing rights for temporary currency-intervention purposes from the European Monetary System to long-term credit issuance. This is the object of the European Monetary Fund, proposed as a second phase of the European Monetary System, which now maintains eight European currencies in a fixed-parity relationship by providing gold-backed credits for currency intervention. Karl-Otto Poehl, in a speech in West Germany last week, blasted the proposal to move to the second phase.

But, Zeuss continued, "Schmidt hadn't reckoned on the opposition of the Bundesbank." Poehl used his legal powers to prevent the assumption of an ECU-denominated credit, which is why the loan was announced in dollars, deutschmarks, and French francs. An additional benefit to ECU denomination would have been to link the Saudis and other Arab states more closely to the European Monetary System, but giving them an ECU-denominated portfolio asset.

Nonetheless, the proceeds of the loan, lent out to industries for long-term investment purposes at an interest rate 2 percent or more below market levels in both France and Germany, subvert Poehl and his colleagues. "The interest rates subsidies are a thorn in

the side of the Bundesbank," argued *FAZ* writer Zeuss. "It poses a danger to the order of the credit markets, by creating a two-tier system. Even the requirement for energy saving [Schmidt had targeted the high-technology sphere of the energy sector as a principal beneficiary for such loans] does not justify a split credit market, which will undermine Bundesbank monetary policy."

In other words, Schmidt and Giscard have played the Saudi card in West Germany, in order to deal with the Bundesbank from a position of strength, to the immense consternation of the central bankers. Poehl's position is not nearly as secure as the BIS meeting gave out. Last week, the prime minister of France, Raymond Barre, sent a letter to Schmidt officially complaining about the level of West German interest rates, in order to "provide Chancellor Schmidt with ammunition against the Bundesbank," as the London *Financial Times* commented in a front-page article April 14. Schmidt passed the letter on to Poehl with the comment that the Bundesbank president was only one of 15 directors of the Bundesbank, hinting at a government-inspired factional brawl inside the bank itself.

On April 2, at a regular policy meeting including the cabinet and the heads of the German *Länder*, or states, Schmidt blasted Poehl in a personal attack "that left Poehl personally angered and affronted," according to a participant. Finally, on April 14, the chancellor himself sent a letter to Poehl admonishing him for having missed several opportunities to lower interest rates, and insisting that he take the next opportunity to bring German rates down from their present 11 to 12 percent.

All of West Germany is in uproar over this unprecedented constitutional fight. Previous chancellors have put pressure on the Bundesbank, but none has ever kicked over the card table in this fashion. While the president of the German Bankers Association, Harald Kuehnen of the investment bank Sal. Oppenheim, openly defended Poehl in a statement released April 13, the chairman of the board of the Dresdner Bank, Hans Friderichs, warned that any further increase in interest rates "would have disastrous effects on the finances and investment capability of medium-sized companies."

### **The battle below the surface in Washington**

The scramble over the Reagan tax and budget program has momentarily obscured the "fourth branch of government issue" raised by Democratic congressmen more than two months ago, namely, whether the Federal Reserve's independence was constitutional. However, it seems likely that the Federal Reserve will be under assault from several sides at once by the time this publication reaches our readers. In reality, Paul Volcker's position is less secure than it ever has been.

In a background conversation, a member of the

Reagan cabinet who asked not to be identified said of the European proposals from Maastricht, "I think the Europeans have the right idea, but at the moment I am outnumbered" in the cabinet. By our count two members of the cabinet have told the President that the Volcker-Stockman combination is a disaster, and the European proposal should be taken up, and at least two others are sympathetic to this view (but less influential in economic matters). The President's ill-health appears to have been the principal advantage Volcker has had in dealings with the White House, postponing a fight which Reagan may be viewing as inevitable.

The vacuum of power in Washington has not entirely worked to the advantage of the "independent" Federal Reserve. Earlier, the White House, however much it disliked what Volcker was doing, had been at great pains to keep its own troops in line and avoid public attacks on the Federal Reserve chairman. This accounts for the switch in the attitude of the Senate Banking Committee, which nearly roasted Volcker alive during hearings earlier in the year, but conducted what one Democratic staffer disgustingly called a "love fest" with the Fed chairman last month.

Now the patience of the troops is wearing thin. The chairman of the Senate Banking Committee, Jake Garn of Utah, is reportedly studying the European proposals with great interest. Other Republican senators are looking for opportunities to take on the interest rate issue. The U.S. League of Savings and Loan Associations, one of the most powerful of the solid Republican lobby groups, spent months holding their fire against Volcker (although one of its senior officials told audiences around the country that they should "put out a contract on Volcker"); now the U.S. League (see Banking) feels it can't wait for administration action any longer, and is preparing to go after the Fed directly.

The most telling feature of the Schmidt-Giscard initiative on interest rates is that, instead of merely complaining about it, they have actually gone out and raised low-interest money. American corporations in Germany, among others, will see the benefits. The *International Herald Tribune* commented April 10, "The key issue being debated is whether restrictive monetary and fiscal policies should be relaxed in favor of stimulating growth and investment, possibly with coordination or lowering of interest rates on both sides of the Atlantic. 'Their plan could catch on elsewhere,' said a Western diplomat, noting that the promotion of expansion along with related questions, has been discussed intensively in the last few months at the 24-nation Organization for Economic Cooperation and Development. . . . [The Franco-German action] 'will certainly strengthen the hands of those within the OECD and EEC and elsewhere pushing for a relaxation of present restrictive approaches in favor of stimulation.' "

# Crisis-management options for a bankrupt world monetary system

by Renée Sigerson

It is an unspoken truth that the more than \$1 trillion Euromarket is bankrupt. As the result of a decade of global economic downturn, the potential write-offs on nonperforming Euromarket loans is currently greater than the total capitalization of all Euromarket banks. Technically, the term used to describe such a state of affairs is bankruptcy.

Many financial experts protest that all that has occurred in recent years is that global debt, particularly the \$500 billion owed by Third World governments to international banks and Western governments, has grown in order to "keep pace" with the rate of inflation. Although it is true that the ratio of nonperforming debt to Euromarket capitalization has been a problem for many years, the situation has seriously worsened since 1979. When dollar interest rates took off starting October 1979, on top of a new oil crisis, the ability of commercial banks to pretend the problem was not serious evaporated. It is no longer possible for the banks to keep feeding loans to their own debtors to match annual interest payments and rollovers of principal, when high interest rates mean that interest alone is growing by \$15 to \$20 billion per year.

The crisis on the Euromarkets was succinctly summarized recently by former French Interior Minister Michel Poniatowski in an interview in the May 1981 issue of the scientific journal *Fusion*. Asked to comment on the role that nuclear power exports to the Third World might play in raising real productivity in the developing sector, Poniatowski underlined:

At the end of 1980, the developing-sector countries will find themselves with a deficit somewhere between \$375 and \$400 billion, with about 20 countries in a state of absolute bankruptcy. To a large extent, this situation is the result of the oil crisis.

Since 1979, Turkey, Peru, the Sudan, Zaire, Bolivia, Nicaragua, and Jamaica have gone through debt reschedulings to stretch out payments on principal they were failing to meet. In August 1980, Turkey was turned down by its creditors when its government came begging

to London for a new debt rescheduling agreement which it was desperately attempting to have pegged to slightly lower interest rates. In 1980, Turkey allocated a full 76 percent of its foreign-exchange earnings to interest and oil import payments alone.

Morgan Guaranty's analytical subgroup of the 12 largest non-oil-producing Third World countries is reported to have allocated an average of 44 percent of total export earnings in 1980 to interest and oil import payments. In mid-March, Poland—which is not a member of the subgroup, but which otherwise ranks number three worldwide in total size of debt to Western creditors—halted payments on principal. For 1980 and 1981, it is estimated that Poland will spend 110 percent of its export earnings on debt amortization. Without a cash injection of between \$1.5 and \$3 billion, Poland will have no funds for essential food and raw materials imports.

All the countries of Central America and West Africa are considered likely candidates for emergency rescheduling. Last year, Brazil only avoided a cutoff of rollover loans by agreeing to pay a high spread of 2 percent over the London Interbank Rate (LIBOR) on its 1981 borrowings.

### Warnings and dangers

The March 1981 South African financial monthly *Standard Chartered Review* reveals that the squeeze created by nonperforming bank portfolios was intensively reviewed last year by the Bank for International Settlements (BIS), the semiprivate central bankers club in Basel, Switzerland. The *Standard Chartered Review* writes:

The danger to the Euromarkets lies in a loss of confidence which could arise from the failure to service debt of an important borrowing country leading to difficulties for a major bank in renewing short-term deposits from the market. Central bankers at a . . . BIS meeting last year called for improved supervisory practices by regulatory authorities, with the emphasis placed on prudential

control. . . . In effect, the authorities are saying to the international banks "All right, get on with it, but we shall be watching."

Debate in the financial press about the strains which undercapitalization of the Euromarket banks is placing on the ability to sustain debt rollovers has become so widespread that we have little doubt that at least one "major bank" if not more has already hit against the default crisis warned about here. Since only the BIS and a handful of private bankers have a detailed breakdown of who has lent what to whom, it is a simple matter to keep such developments secret.

For example, we also find the Euromarket crisis warned about in great detail in the mid-March annual banking survey of *Far Eastern Economic Review*, which is published by one of the leading "insider" cliques in offshore banking, the Hongkong and Shanghai Bank. The *Far Eastern Economic Review* explains that the Eurobanks are trying to persuade oil-exporting countries, which have deposited huge sums in short-term deposits with commercial banks since 1974, to spread their deposits out to a wider array of institutions. Such deposits currently outweigh permanent shareholder deposits to such a degree that the Eurobanks can no longer guarantee interest earnings to their Arab creditors. The *Review* notes:

At the end of 1979, oil-exporting countries had U.S. \$115 billion in bank deposits; by now the figure is probably near U.S. \$150 billion. The vast majority of these deposits are placed with the largest banks in the world—90-95 percent of them with a group of almost 90 banks. A rough estimate of the total shareholders' funds of these banks is U.S. \$136 billion, while their total deposits were U.S. \$3.150 billion.

The ratio of shareholder funds to oil-export deposits noted above, which is nearly 1 to 1, is based on the shareholder deposits of home-country parent banks. When the Eurobanks are isolated out, the ratio of oil-exporter and other large short-term deposits to shareholder monies becomes nearly negligible.

Reporting on the period from December 31 to March 25, the U.S. Federal Reserve recently revealed that a marked pattern has emerged of U.S. multinational corporations taking loans from Euromarket subsidiaries of U.S. banks, instead of from their usual home-based creditors. The Fed—whose estimates are probably on the low side, since there are numerous channels for such loans which do not fit into their reporting system—cites a \$5.5 billion reduction in domestic business loans for this three-month period, coincident with a \$2.5 billion rise in Euromarket loans to U.S. customers.

Such loans reveal that Euromarket branches are

attempting to beef up income-earning loans in the face of their growing international payments crisis.

### The available options

During 1980, a series of patchwork arrangements was designed to get the global credit system to squeak through 1981. It is estimated that total balance of payments financing needs of governments worldwide will be no less than \$90 billion this year, and more likely, will be \$110 billion.

Commercial banks can forward around \$50 billion in total "new" credits worldwide to meet these requirements. The International Monetary Fund/World Bank is expected to increase lending operations to over \$24 billion this year. The \$14 to \$34 billion shortfall is expected to be filled by a series of complex arrangements including reschedulings, foreign aid from Western and Arab governments, and short-term bridge-financing loans from diverse sources including the Bank for International Settlements.

There is universal agreement among informed financial officials that the arrangements described above merely give a "breathing space" for longer-term options to be put into effect.

There are currently three options to reshape international long-term debt.

One would be a replay of the 1931 collapse of international banking which ushered in a decade of world depression.

Commercial banks in distress might simply shut down their hard-hit foreign branches and concentrate all lending activities at home offices. In October or November 1981, the U.S. Federal Reserve is scheduled to approve state applications for creation in the United States of a number of "International Banking Facilities" (IBFs), which will allow U.S. commercial banks the same privileges of lending without obligatory reserve requirements which exist on offshore markets. The inception of IBF lending activity may be the signal for throwing nonpaying international debt at London or Caribbean-based branches off board.

The IBFs may also be used in combination with a second, less extreme option which aims to reduce the portion of nonperforming debt on the banks' books, through a "weeding out" process.

There are moves by U.S. corporations to book loans at offshore offices of U.S. banks, described above, which is one signal that this policy is already under way.

Banks are also attempting to shift out of generalized "payments financing" loans into what they call "project" financing. A consortium of British banks recently pulled together a \$2 billion package for a loan to Hong Kong to expand power-generating facilities. U.S. and British banks have also lent heavily to Mexico—which has just gotten a \$300 million credit to build two

fertilizer plants—and to Brazil in recent months. The difference between project loans and rollover lending is that earnings are linked to specific assets, rather than to collapsing productivity.

Both of these options, which can also work in combination, presume that multinational financial institutions, including the IMF/World Bank and the BIS, will assume even greater importance in international monetary affairs.

At a conference of the private advisory group called the Group of 30 this week in Frankfurt, West Germany, former IMF Executive Director Johannes Witteveen asserted that unless a policy along these lines is implemented, the Third World will financially collapse. Witteveen—who is no friend of the developing sector—emphasized that renewed intensive austerity in the industrialized countries should be the foundation for combining Third World debt with performing loans. Witteveen noted that the IMF and other multilateral institutions could back a lowering of interest rates worldwide, if Western industrial countries would implement broad-scale programs of wage and price controls.

The decade of depression which these schemes assume can be averted by smoothly replacing current debt relations with government-backed institutions modeled on the European Monetary Fund (EMF).

The EMF is a pool of approximately \$100 billion in official reserves of member European countries, scheduled to come on line in coming years.

The EMF can work in two directions to freeze and replace current Third World debt. By issuing bonds to commercial banks, which, because they are pegged to gold, are inflation proof, the EMF would soak up nonperforming Third World debt. The credit infusions from commercial banks simultaneously can be used to issue large new lines of credit to developing countries—not to refinance old debt, but to import productivity-building capital equipment from Western companies.

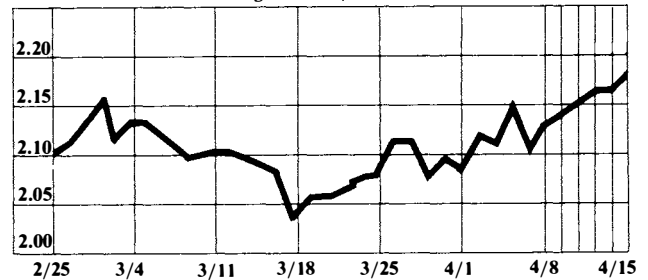
If the United States and oil-producing countries agree to associate status in the EMF, as has been offered by European leaders, then the mass of liquidity that would come together to generate new loans would be on the order of \$300 billion, more than enough to wipe up the bankrupt Euromarket. An EMF-type arrangement may emerge in the near future, moreover, in current negotiations between the Soviet Bloc and Western creditors on reorganizing Poland's defaulted debt payments.

The French have proposed that Poland be given a 10-year rescheduling on debt due between now and 1984, including at least \$6 billion in new long-term funds. If European governments issue gold-backed bonds to bolster these credit lines, then a precedent-setting test case for the EMF will have been brought into being.

## Currency Rates

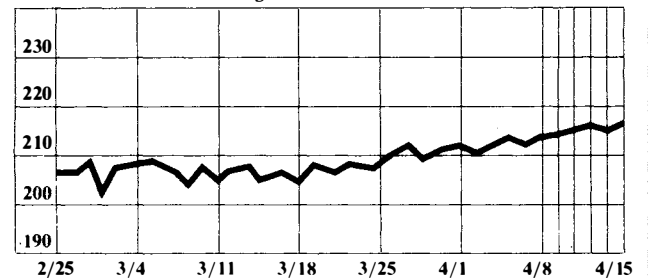
### The dollar in deutschemarks

New York late afternoon fixing



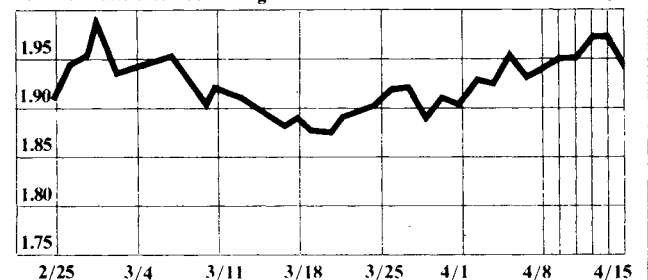
### The dollar in yen

New York late afternoon fixing



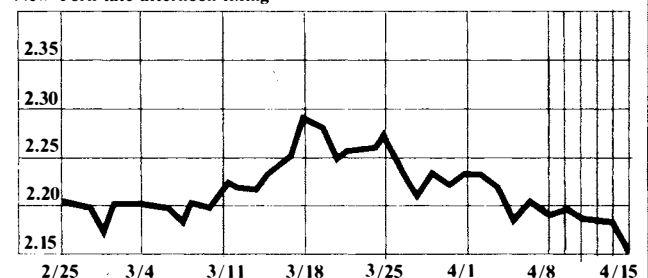
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# Turning point for Argentina

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*Mark Sonnenblick examines de Hoz's appalling economic legacy and the policy prospects under General Viola.*

General Roberto Viola took command of Argentina March 29 in the midst of an economic crisis which saw interest rates go over 400 percent and a currency flight of up to \$400 million per day.

Those Argentine citizens not thoroughly cynical from decades of betrayed promises are breathing sighs of hope that Viola will bring some progress toward economic and political sanity in the South American nation.

Viola, who was selected behind closed doors by military chiefs to succeed Gen. Jorge Videla, has made precious few promises. But he has much to accomplish. Over the past five years, General Videla served as little more than a military patsy for Finance Minister José Martínez de Hoz's experiment in monetarist economics.

While Viola has promised to continue the general thrust of de Hoz's disastrous program, the productive sectors and the military factions which believe national security is derived from a growing, diversified, high-technology economic base are well represented in his cabinet. Argentina may be in store for economic policy changes far more significant than the 30 percent devaluation Viola had to decree to quell the financial panic.

"The Wizard of Hoz" had run Argentina by the sort of "get the government out of business," free-enterprise, free-trade program which earned him the enthusiastic blessings of David Rockefeller and the *Wall Street Journal*. De Hoz proved the merit of his performance by proclaiming how he had reduced inflation from 350 percent in 1976 to a supposedly respectable 88 percent in 1980, while during the same period he increased foreign reserves from next to nothing up to \$10 billion.

Much as when Milton Friedman and Paul Volcker ran Nixon's administration into the ground in the late 1960s, de Hoz showed once again how gullible conservative leaders can be to well-packaged monetarist plans. When the top brass of the Argentine army, who had almost unquestioningly let de Hoz run their country for the past five years, were briefed on April 10 by the five economics ministers replacing him in the new military government, they were shocked at the facts they had been blind to. "But this is totally different from what they've been telling us!" one general blurted to Viola's finance minister Lorenzo Siguat. What the new econom-

ics team described with ample facts and figures to the muscle boys behind the presidency was effectively synthesized by the Buenos Aires daily *Clarín*: "On March 29, the country was approaching a balance-of-payments crisis with its productive apparatus nearly paralyzed and suffering from repressed inflation."

## Time bomb

The economic time bomb constructed by de Hoz, which *EIR* has warned of over the past year, exploded during the last months in office of the man who sought to lead Argentina into Trilateral Commission membership. De Hoz set it off himself in February. He had refused the demands made by the new economics team since Christmas that he clean up after himself. With Buenos Aires the world's most expensive city, Argentines and foreign bankers debated only whether the peso was overvalued by 100 percent or only 50 percent.

At first, de Hoz refused to devalue; then on Feb. 3, he did so by 10 percent. Everyone knew this to be too small an adjustment to correct the absurd exchange rates, but just big enough a move to warn the hot-money speculators that the new team would "bite the bullet" with major devaluations later. De Hoz gave his speculator friends full freedom to pull their hoards out of Argentine pesos into dollars. During the ensuing panic, up to \$400 million per day fled the country, halving Argentina's reserves to only \$4.3 billion by March 23. Then, de Hoz borrowed \$900 million from his favorite foreign bankers at high interest during his final days in power in order to leave with a shade over \$5 billion reserves on the balance sheet.

As the pesos flew into the central bank for changing into hard currency, de Hoz simply burned them, shrinking the money supply. This, plus expectations of devaluation, accentuated the Paul Volcker-style credit squeeze he had imposed against Argentine producers. Interest rates shot up to annual rates of 250 and even 400 percent! The country plummeted further into a recession; industrial use of electricity fell by 14.5 percent from early 1980 levels.

But cash-strapped companies borrowed at any price hoping that if they could hold out until April, when de

Hoz would be gone, the new administration would do something to save them.

De Hoz was committed to de-industrializing Argentina. While giving government guarantees to speculators and radically increasing tax burdens to pay the cost of such looting, he offered only "the survival of the fittest" rationale to producers. Bankruptcies in 1980 were 74 percent more in real terms than in 1979. Half of the major companies had red bottom lines; 82 percent made no or inadequate profits. After a euphoric start in 1977, the ostensibly favored agricultural sector has also been decapitalized by exchange and credit policies, as reflected in the attrition of cattle herds.

Under former President Jorge Videla, de Hoz had full rein, with the cabinet of grey nonentities rubber-stamping his decisions and repressing civilian sectors who sought to warn against the coming disaster.

Viola has changed that. Unlike his predecessor, he is a "political" general. He seems to understand that de Hoz did more to discredit the military as an institution and as a ruling force than their own violent disbanding of all political organizations in the country. The composition and initial acts of the cabinet he chose suggests he wants to build a moderate political consensus in the country before it is again swept into a cycle of suicidal polarization and violence.

The new cabinet has representation from every

conservative and moderate constituency in Argentina. Thus, like the similarly divided Reagan cabinet, it can offer either a "new beginning" or a disastrous rerun of the failed administration that preceded it. Its members range from an international trade minister who wants to continue de Hoz's de-industrialization program to a foreign minister who was a top aide in the democratic "developmentist" government of Arturo Frondizi (1959-61) and who recently skillfully negotiated a nuclear industry integration deal with Brazil. The public works head is a retired general who earned the ire of London monetarists during a recent stint as chief of military industries by insisting that Argentina have a broad range of high-technology industrial capabilities.

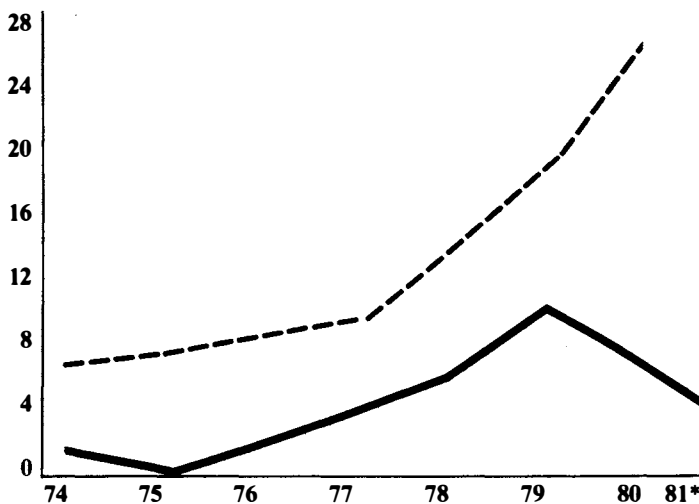
The industrial ministry cabinet post is in the hands of a textile manufacturer who headed the Unión Industrial Argentina, roughly equivalent to the U.S. National Association of Manufacturers; a leader of the traditional oligarchy's Confederación Rural Argentina has the agriculture post; and the powerful new interior minister, Gen. Horacio Liendo, spent his time as labor minister under Videla building bridges to that ineluctable factor in Argentina—the Peronists.

### The post-Easter package

This unelected, but broadly representative cabinet is desperately seeking agreement on a "post-Easter pack-

Figure 1  
**Foreign debt and reserves**

(billions of U.S. dollars at year end)



Source: Banco Central  
\* March 23, 1981



age" of measures to resurrect the moribund economy. The productive sectors want the government to grant \$3 billion worth of medium-term debt moratoriums, to force interest rates down, and to lower taxes. Agriculture demands more big devaluations and lower tariffs, while industry asks for restored protection. Viola has ordered a 15 percent cut in government spending with the difficult proviso of neither causing more unemployment nor further gouging real wages.

The only sure winner, however, is Finance Minister Sigaut, who is demanding higher taxes to prevent the budget deficit left by de Hoz (estimated by Citibank at over 6 percent of GNP) from bankrupting the Treasury.

The constraint on any Argentine government seeking to prevent chain-letter collapse of its industry and finances is the enormous debt burden mounted by de Hoz. As can be seen from Figure 1, during the last three years, he has tripled Argentina's foreign debt, while production capacities in industry and agriculture necessary to repay that debt have been stripped. The most incredible feature of Argentina's \$27.2 billion debt is that over half of it, \$13.8 billion, is due this year, according to de Hoz's central bank.

Assuming that some \$3.5 billion in short-term trade financing is simply rolled over, Argentina will be left with obligations to amortize over \$10 billion and to pay about \$4 billion in interest on the debt. Thus, Argentina's debt service in 1981 is a frightening 160 percent of the expected \$9 billion export earnings—a higher percentage than the world's most bankrupt countries.

Despite excellent weather that contributed to a record harvest, Argentina will have to go, hat in hand, before its foreign creditors later this year to plea for refinancing of its debt. It was rumored at the Inter-American Development Bank meeting in Madrid last week that Finance Minister Sigaut was determined to demonstrate even harsher austerity than his predecessor to convince bankers at the fall International Monetary Fund meeting to refinance the debt.

The banking community, however, is insistent on the completion of de Hoz's de-industrialization program. One Midwestern banker told *EIR*, "We expect 20 or 30 more financial institutions to close. We expect a great many industries to close. It's not going to be the cottage industries that go. . . . Well, maybe they'll keep some steel. We're thinking about a hundred large companies employing about 100,000 people who have another 100,000 dependents. There's going to be a big problem with unemployment." Viola realizes that such unemployment would spawn social conflicts, disrupting his plans for bringing political stability to the country. On the other hand, the bankers will not tolerate a "retrogression" from de Hoz's policies.

Even as Viola was inaugurated, bankers' cocktail-party circuits in Buenos Aires buzzed with gossip about

the president being "removed" by right-wing generals should he give too much freedom to domestic political forces. During the last month, retired Generals Benjamín Menéndez and Jorge Leal have been imprisoned by the army for threatening Viola. The man to watch, however, is Gen. Albano Harguindeguy, who, as interior minister in the past administration, zealously protected de Hoz and his program from all criticism. President Viola has embraced Harguindeguy as a top presidential adviser.

The departure of Jimmy Carter has brought a euphoric upturn in Argentine military attitudes toward the United States. Before his March 29 inauguration, President Viola held what was termed an "immensely successful visit" with Ronald Reagan in Washington. That has been followed by an unprecedented barrage of visits by high-ranking U.S. Army, Navy, and Air Force officials to Argentina.

While Reagan offered Viola his personal backing to stabilize, develop, and democratize Argentina, Alexander Haig and the military emissaries are reportedly pressing the Argentines to provide surrogate troops for Haig's geopolitical adventures in El Salvador and the Sinai. They are also reportedly trying to enlist Argentina in a plan to extend NATO operational capabilities into the South Atlantic region.

While such overtures have reinforced the positions of the more knee-jerk anticommunist generals, Viola and his foreign minister have taken pains to insist that such schemes would do nothing to ensure Argentina's survival as a civilized Western nation. Rational Argentines see more generous openings to foreign credit sources and markets as the only way to avoid internal economic and political disaster.

While the Reagan administration has shifted gears on military and "human rights" postures, the State Department reports no change on the more important economic and technology-transfer questions. U.S. shipments of enriched uranium for experimental reactors are still embargoed by "nonproliferation" considerations. Eximbank, which finances U.S. machinery exports the Argentines so dramatically need to rebuild their decayed and looted industry, is being savaged by the budget cutters. And the State Department says the debt crisis is purely in the hands of private bankers.

Thus, it should be no surprise that Foreign Minister Oscar Camilión staunchly defended Argentina's rupture of the Soviet grain embargo by selling 58 percent of its grain exports there at premium prices last year. Camilión likewise defended Argentina's purchase from the Soviets of 5 million tons of heavy water for its commercial nuclear plants. And he further stressed that Argentine Navy participation with the U.S. in joint exercises this summer have nothing to do with anti-Soviet NATO plans for policing the South Atlantic.



# World Trade by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
\$1 bn.	U.S.S.R. from Austria	Voest-Alpine has signed contract to deliver 800,000 tons of seamless steel pipes to Soviets starting 1983.	
	U.S.S.R. from West Germany	Soviets ordered another 550,000 tons of large diameter steel pipes from Mannesmann and Thyssen for delivery during next 12 months. Mannesmann has sold 7 mn. tons pipe since 1970.	Allegedly not connected with pending gas pipeline deal.
\$71 mn.	U.S.S.R. from W. Germany	Soviets contracted with Mannesmann for engineering and services for 4 petroleum coke calcination plants. Plants make electrodes for steel and aluminum industries.	
\$137 mn./yr. target	U.S.S.R./U.K.	ICI signed detailed deal with Soviets for exchange of chemicals during next 5 yrs. Includes surface-active agents used for oil drilling muds from England and methanol, ammonia, and glycols from Russia.	The two expect to triple exchange trade from current levels by 1985.
\$160 mn.	Egypt/Italy	Egyptian and Italian governments signed agreement for Italian firms to help on agricultural, transport, and phone projects. Egypt will get privileged market for its cotton.	Egypt supplies 8% of Italy's oil; ENI drilling in Sinai.
\$640 mn.	Zaire from Switzerland/Europe	Zaire will build 150,000 tpy aluminum smelter with consortium headed by Alusuisse and including Vereinigte Aluminum-Werke, Italian state MCS, and Yugoslav Energoinvest.	Uses spare Inga Dam electricity.
\$408 mn.	Colombia from Spain/Italy	Construction of first part of Guavio hydroelectric project awarded to Vianini (Italy) and Canales y Tabora (Spain). \$168 mn. contract for second part awarded to Campenonn (France). Total cost of 1,600 megawatt plant for Bogotá is \$1.2 bn.	Will relieve the Bogotá blackouts; partial funding from World Bank.
\$150 mn.	Mexico from Italy	Italian govt-owned ENI subsidiary won bidding for 2 1,500 tpd urea plants for Fertimex.	
<b>UPDATE</b>			
\$2.5 bn.	China from Japan	Chinese delegation visited Tokyo seeking soft-term loans from Japan to complete suspended huge Daqing and Tianjin petrochemical complexes.	Japanese industrialists have lost \$1.7 bn. from petrochem and steel suspensions.
\$215 mn.	Nigeria from Holland/Poland	Nigerian govt. has awarded Dutch HBG contract for harbor construction as part of building 3 new ship repair yards in Burutu, Lagos, and Port Harcourt.	Yards will be built by consortium owned 80% by HBG and 20% by Navimor of Poland.
\$89 mn.	Northern Ireland from U.S.A.	Du Pont will build synthetic rubber plant.	Replace obsolete plant.
\$72 mn.	Iraq from Japan	4 refrigerated warehouses for onions and potatoes at Baghdad ordered from Kokai Kogyo and Toyo Menka Kaisha.	Japan has sold 4 similar plants to Iraq and expect 6 more soon.
\$41 mn.	Saudi Arabia from U.K.	Saudi Arabia has ordered 2,300 60-80 horsepower tractors and 8,500 farm implements. Will be assembled in U.K. Massey also planning \$1.5 mn. tractor assembly plant in Jeddah in 20/80 joint venture with its Saudi distributor.	Saudi plant will supply local market.

## The great tax debate

*Congressional Democrats have rejected 'supply-side' magic, and seek a targeted plan for industry.*

Leading congressional Democratic tax policy-makers this week rejected the undifferentiated supply-side theory of the Kemp-Roth tax program and sought an alternative tax strategy to provide capital investment programs to rebuild America's industry. Unless they come up with a concrete alternative, it could spell trouble for the Democratic Party, they realize.

"We have rejected the supply-side across-the-board approach because it does nothing for industrial investment," said an aide to House Ways and Means Chairman Dan Rostenkowski (D-Ill.). The supply-side mix of untargeted tax cuts coupled with extremely tight money, on which Kemp-Roth partisans insist, actually encourages a shift of the U.S. economy into the "postindustrial" society, knowledgeable Democrats agree.

Under Fed Chairman Paul Volcker's high interest-rate regime, basic industry such as auto, steel, homebuilding, and the savings banks, which now operate in the red, would get no benefit from supply-side tax cuts, and would still find the cost of borrowing for capital investment prohibitive. The "postindustrial" companies in computers, services, and real estate reap all the tax-break benefits.

Rostenkowski, the Democratic leader responsible for originating tax policy, announced the new Democratic orientation in an April 9 speech in Chicago. Hitting

across-the-board supply-side tax cuts, Rostenkowski called instead for a revitalization of America's industrial base through large investment tax credits. He called for specific breaks for "distressed industry" such as auto and steel, which he stated must not be allowed to decline, but should receive incentives to rebuild through expanded "unused investment tax credits." He also noted that "tax policy must not encourage the migration of industry out of America's urban centers."

Rostenkowski also addressed the vital issue of family formation, in calling for specific tax exemption for families at the poverty line, which his staff defines as \$10,000 gross income.

On the Senate side, Democratic moderates led by David Boren (D-Okla.), J. James Exon (D-Neb.), and Russell Long (D-La.), last week announced a seven-point tax program specifically rejecting the Kemp-Roth approach. They propose to "Encourage moderate income families to save through tax incentives for savings and investment; Reduce the capital gains tax; Reduce the employee stock ownership tax; [and] end discrimination against investment income."

These Democrats look askance at the liberals of the House Democratic Caucus, who in an April 8 economic policy statement called for wage/price controls and other programs that are both economi-

cally and politically unfeasible in the current environment. "Wage/price controls are simply not a responsible response to Reagan's call for economic growth," said the Rostenkowski aide.

Rostenkowski and the Senate moderates fall down, however, when it comes to "targeting" their "specifics." They have failed thus far to create actual targeting provision in their own tax bills. Rostenkowski's proposed personal income tax cut of \$28 billion, for example, falls back on a general reduction in top marginal tax rates from 70 to 50 percent, and a general marginal tax cut for other income levels.

"I have to admit I'm unsatisfied with our specifics," said his aide. "There is in fact no guarantee that the taxes we exempt will move into productive investment. Because our specifics are untargeted, we're in the same bind as Kemp-Roth."

Now gaining attention, therefore, is a plan put forward last November by the conservative National Democratic Policy Committee for a totally targeted tax cut on both the personal and corporate income sides. Known as the "duplicate tax credit," the NDPC plan would favor creating "tax shelters" for persons who invest in the stock of productive industry, agriculture, and in savings deposits in banks which use the funds to promote homebuilding.

Under this plan, corporations would receive a 20 percent investment tax credit, provided the funds went for tangible R&D and capital expansion of their industries. To the extent that a company did this, its stock would be granted a 20 percent or greater "tax-free" dividend—and would become a productive tax shelter for investors.

## The last straw

*Volcker's new push for interstate banking may backfire right at the Fed chairman himself.*

**F**ederal Reserve Chairman Paul Volcker and Comptroller of the Currency John Heimann have announced that they will only help save the nation's savings and loans from bankruptcy as part of a new banking legislation package to set up interstate banking.

The new interstate drive, which would hand the nation's banking system over to Citibank and the other major New York and California banks, seems to have been the last straw for the U.S. League of Savings Associations. The U.S. League, which has carefully refrained from attacking Volcker, is now preparing an offensive against the Fed and its high interest rates.

The nation's savings and loans (S&Ls) face a "disaster scenario," Comptroller Heimann told the press April 14, in which a "Prolonged period of high interest rates . . . could force some to fail." He explained that while the Fed will likely keep their interest rates close to 20 percent for some time, most S&Ls are locked in to mortgages paying them about 9 percent.

The Comptroller announced that the Fed, Comptroller, Federal Home Loan Bank Board, and other regulators are therefore introducing legislation into the Senate and House Banking Committees later this month "to facilitate mergers" of failing S&Ls into other banks. The key feature of this distress sale plan is that it would allow out-of-state savings banks to buy S&Ls,

and further would allow "cross-industry" mergers in which commercial banks, both in and out of a state, could buy S&Ls.

While the McFadden Act and Douglas Amendment currently bar commercial banks from branching or buying subsidiaries across state lines, there is no such law regarding S&Ls. Legally, regulatory sources say, all it would take is a Federal Home Loan Bank Board ruling to allow one S&L to purchase another interstate, or a Fed ruling to allow a commercial bank to buy an S&L.

Volcker and Heimann want legislation enshrining the right of all banks to go interstate to buy S&Ls "as a legal foot in the door for legalization of full-fledged interstate banking," sources close to Heimann say. "Soon Citibank and other big commercial banks will then ask, 'Why can't we buy commercial banks, and have branches across state lines, too?' and they are right. Interstate banking is the wave of the future."

This would mean turning the banking system over to the "top 100" banks with the capital to buy other banks nationwide, which would then drastically cut back service to local industry, homebuilders, and consumers. Such an interstate banking reorganization would hasten America's plunge into the "postindustrial" society.

A similar law, called the Emergency Bank Acquisition Bill, was introduced last year by the Comptrol-

ler, but died in committee. Now, "Volcker and Heimann think there is enough of an S&L bankruptcy emergency to scare the new bill through," my sources say.

"We're going to play this as a bill to save the S&Ls," said one source. "We don't dare admit publicly that it's a bill for interstate banking. That might kill the bill," he said.

The Senate Banking Committee's chairman, Jake Garn (R-Utah), a foe of interstate banking who also supports the S&Ls, "will have to swallow the bill," predicted the source. "He won't be happy, but his free enterprise ideology leaves him no choice. He can't bail the S&Ls out, so he has to allow deregulation." Comptroller Heimann will present his plan before the Garn Committee in April 28 hearings.

However, the U.S. League's Executive Vice-President William B. O'Connell finds the Fed/Comptroller plan is outrageous. Mr. O'Connell this week opposed the plan on the grounds that in practice only big commercial banks would buy up S&Ls, and turn them from their tasks of local home mortgage lending, which would destroy both the S&Ls and American homebuilding. "The American financial system is based on diversification and decentralization of financial institutions," he told reporters.

"The real cause of our problems is the Federal Reserve and its high interest rates," said a source close to the U.S. League. "But we've held off attacking Chairman Volcker because we wanted to give the Reagan administration a chance. If this is their only plan to help us, we are going to come out soon with a major attack on the Fed."

## Effort halted to ban 2,4,5-T

*The administration moves to fulfill its campaign promise on environmentalist obstruction.*

Although Environmental Protection Agency officials are reluctant to discuss the matter, the agency has stopped administrative proceedings under way for more than a year to ban the herbicide 2,4,5-T. The herbicide gained notoriety because of its use as one ingredient in the "Agent Orange" defoliant used in Vietnam during the war. EPA is now negotiating an out-of-court settlement with the Dow Chemical Company, principal manufacturer of the chemical.

"It's fairly clear they didn't make their case," Dow spokesman Rich Long told the *Washington Post*. In March 1980 the EPA began the attempt to ban 2,4,5-T and its sister chemical, Silvex, following complaints made by a group of Oregon residents who claimed that their exposure to 2,4,5-T sprayed on nearby woodlands had caused miscarriages. EPA further sought to prove that the chemicals caused cancers, liver disease, and other disorders. Since 1979 all uses of 2,4,5-T except clearing rangeland and controlling weeds in ricefields have been suspended while EPA moved for a total ban.

Knowledgeable sources report that the settlement will involve more restrictive labeling for 2,4,5-T containers in exchange for continued use. On March 24, Administrative Law Judge Edward B. Finch recessed the hearings after more than a year of testimony. On April 10, the recess was extended until

May 12 at the request of EPA and Dow, the parties to the case, with a progress report to be submitted May 8.

The environmentalist attack on 2,4,5-T was given a powerful boost by the "Agent Orange" flap. "Agent Orange" is made up of a group of chemicals known as the phenoxy herbicides, including 2,4-D, the first modern herbicide, and 2,4,5-T. Both herbicides have been attacked by environmentalists because they contain a trace contaminant, TCDD, or dioxin. By itself dioxin is considered highly toxic.

But there is no evidence that there is any danger from dioxin contamination under normal practical use conditions for either chemical. When applied to 5 million acres over a period of a year, only one ounce of dioxin is present; the amount of dioxin in commercial 2,4,5-T is about 1 part per 100 million. Moreover, dioxin is very rapidly decomposed by sunlight.

The difference in composition and use of Agent Orange, especially with regard to the amount of dioxin (100 to 1,000 times greater) makes comparisons absurd between the chemical warfare agent and the agricultural chemicals. Most damning is the fact that none of the affected veterans showed the primary symptom of dioxin poisoning, namely, chloracne.

The situation with 2,4,5-T could influence the course of a class action suit by Vietnam veterans and

their families. U.S. District Court Judge George Pratt in Waterbury, New York ruled that the manufacturers of the Agent Orange ingredients could be sued; and trials on the question of liability and monetary damages were expected to start before summer.

Eyewitness reports of the meetings held to organize Vietnam vets into the \$45 billion lawsuit certify the fraud of the case. One such meeting, arranged late last fall in the Midwest by a group called Citizens Against Toxic Sprays and the Vet-Line Hot Line, was led by a psychiatrist who held forth for three hours with a two-stage pitch he repeated over and over.

"I know how everyone in this room feels," he would begin. "When your alarm goes off in the morning, you are too tired to get out of bed. You feel weak. You do not want to go to the office. You are all suffering from the symptoms of Agent Orange." Stage two: "We want you to sign up for this suit. We want you to have an exam, and do not be discouraged by the doctors if they cannot find anything wrong with you, because there is no scientific way that the medical profession can prove that you are not suffering from the following symptoms." And then he would take it from the top again.

Reports of sabotage of Forest Service radio shacks used in the annual herbicide spraying program that ordinarily begins on the West Coast in a month or so, and evidence that a "Fishline Alliance" plans to sabotage the spraying program with explosives, can be seen as the environmentalist movement's initial response to the Reagan administration's bold move to call the bluff on their entire operation.

## French elections could mean price rise

*A strong mandate for Giscard after the May 10 elections could renew European central bank support levels.*

Virtually ignored by the American press, a series of quiet developments in Europe points toward a renewal of central bank support levels for the price of gold. During 1980 European central banks bought gold at first \$600 an ounce and later at \$550 an ounce, stalling for some months the sharp price decline that eventually came this year.

Europe agreed to a partial re-monetization of gold under the rules of the European Monetary System, which began operations early in 1979. Under the EMS the central banks pledged 20 percent of their total gold reserves, and in return may draw against this gold in the form of European Currency Units, presentable to other central banks for currency to employ in foreign exchange market intervention. The success of this system, despite its detractors in the U.S. press and in the Anglo-Belgian-Dutch circuit in Europe, has been virtually absolute. The Belgian franc's easy passage through the crisis that peaked early in April, largely due to BF 23 billion drawings from the EMS, confirms this.

Despite the relatively low profile of European leaders on this subject, fairly detailed preparations are under way for the completion of the delayed *second phase* of the EMS, which involves an extension of the uses of the EMS gold-backed credit mechanisms to the field of long-term development credit. The var-

ious pieces of the program have already been *prefabricated*, such that the full European Monetary Fund—the second phase—could be erected very quickly indeed.

The premise is that the Fund will have as a byproduct the return of the French and German current account balances to stability, as the result of 1) continued inflows from the Persian Gulf and 2) expansion of exports. This has a direct bearing on European interest in gold. When the European current accounts turned sharply into the red toward the end of 1980, the policy of supporting the gold price ceased, because the banks found that their dollar reserves had become less superfluous than previously, and were less willing to exchange them for a currently illiquid asset such as gold. However, the rate of Persian Gulf investment into West Germany has already doubled this year (in the first quarter) from last year's \$10 billion, more than exceeding Germany's current account deficit.

On the export side, the premise of the European Monetary Fund is that Western Europe will have additional low-interest, long-term credit resources with which to modernize its own industry, with a view to export competitiveness and energy savings through technology improvement, and also additional export credits.

The European Monetary Fund itself would, in some form, involve further issuance of credits against

gold, simply extending the current mode of functioning of the EMS. Whether the EMF will actually create long-term ECU loans to be converted into national currencies is open to question; a variety of technical means could be found.

However, the entire process is evident in the recent Franco-German *Gemeinschaftsanleihe* of \$6 billion, to be subscribed principally from the Saudis. France and Germany will lend these funds out long-term at subsidized interest rates to their industry, emphasizing the high-technology sectors. This establishes a precedent for the same use of Saudi funds, which would otherwise be left to languish in short-term Eurocurrency deposits, through a central fund. Schmidt and Giscard had initially wanted to employ the ECU, the numeraire of the European Monetary System, in the present loan, but were prevented by the opposition of the German central bank (see page 6).

Similar funds could be raised in the future by a number of methods. One would be to peg the value of future European loans to a fixed volume of gold, backed by EMS gold reserves, and thus obtain loans at the real rather than the nominal rate of interest (or about 2 percent). Another would be to draw the Saudis directly into the European Monetary System, by encouraging them to accumulate central bank portfolio assets in the form of ECUs or ECU-denominated paper of the EMS. Whatever methods are eventually employed, the currency stability and credit features of the Franco-German monetary superpower are on the verge of a breakthrough, one of whose side effects will be to increase the attractiveness of gold as an official reserve asset.

# Business Briefs

## *Fiscal Policy*

### **Big MACs readied for urban centers**

As city and state governments suffer accelerating budget deficits and cutbacks under the Volcker-Stockman economic regime, the financial institutions who are being asked to finance the shortfalls increasingly demand that outside "independent oversight boards" be created. Such boards are now functioning not only in New York City, but in Detroit, Cleveland, San Francisco, and for the Chicago school system, with Boston next on the agenda.

These boards may or may not be official public institutions, as in New York City, but will be comprised in any event of financiers, with increasing representation from the New York investment banks. They invariably insist on severe austerity and decimation of city services to restore "a balanced budget," the prelude for enforced emigration and degradation of the remaining city-dwellers.

## *Transportation*

### **Drew Lewis giving rails to robber barons?**

The odor of scandal is rising from Transportation Secretary Drew Lewis's proposal to sell the Conrail system. Most of the railroads who would "cherry-pick" the remains of Conrail, if Congress permits the sale, were former subsidiaries of either the Pennsy or the Central, and were ordered divested by the ICC before the 1968 merger that formed the Penn Central, on grounds of promoting competition between rail lines.

In 1974 these same lines testified in the Penn Central bankruptcy hearings that they could not profitably operate the PC lines. On this basis, federal judge John Fullam ruled that neither reorganization nor sale of the Penn Central could be effected. Conrail was established by

Congress to take over the operating lines of the Penn Central Company. Five years and over \$6 billion in federal outlays later, the competition has discovered that it is ready to buy the lines.

## *Agriculture*

### **Congress moves on elevator bankruptcies**

Senator Robert Dole (R-Kans.) has introduced a bill (S. 839), cosponsored by Sen. John Danforth (R-Mo.), that would give farm producers a priority position in the distribution of assets in bankruptcy litigation. The need for action was brought to light this summer when a string of grain elevators in Missouri and Arkansas owned by the bankrupt James Brothers was padlocked by a federal bankruptcy court and their contents declared part and parcel of the bankrupts' assets.

Wayne Cryts, Missouri American Agriculture Movement leader and one of the farmers whose crop was at issue in the case, led a six-month court battle to establish the precedence of the valid warehouse receipt he held showing his ownership of the grain. Finally, Cryts, backed by rallying farmers, broke open the padlocked elevator and took physical possession of his grain.

The U.S. Department of Agriculture has assembled a task force to study the problem, and will present a final report on May 15. The issue is urgent for farmers, who cannot afford to have their grain tied up indefinitely or even confiscated. More than 130 bankruptcy proceedings involving grain elevators were filed in 22 states in the past six years.

The Dole bill establishes that a farmer's original warehouse receipt is sufficient to establish ownership of the stored grain. The bill would also set up a strict timetable within which the bankruptcy court must identify farmers owning stored crops, audit the warehouse contents, and distribute the crops to the rightful owners. Senator Dole plans a round of hearings when the USDA task

force report is released.

Representatives Dan Glickman (D-Kans.) and Ron Coleman (R-Mo.) have introduced similar individual bills in the House.

## *Foreign Exchange*

### **EMS proposal to U.S. sparks Treasury outburst**

At the April 12 meeting of the Group of Five finance ministers and central bankers in London, West German and French representatives proposed to U.S. Treasury Secretary Donald Regan that the U.S. dollar be "loosely linked to the currencies of the European Monetary System," a Federal Reserve source reported this week.

"It is not a secret that West German Chancellor Schmidt and French President Giscard want U.S. interest rates reduced," said the source, "but Regan and [Federal Reserve Chairman] Paul Volcker told them flatly that this is simply not going to happen. The Europeans are deeply concerned that unless U.S. rates fall soon, there will be renewed capital flight out of EMS currencies into the dollar."

The Europeans have directly proposed the dollar-EMS link as a means of providing a currency stability program within which the United States and Europe will be able to jointly lower interest rates together, this source added.

"The Europeans propose that the U.S. and the EMS set up a 'common dollar policy,' of coordinated foreign exchange intervention, which would in effect loosely link the dollar to the EMS currencies," he said. "It is much easier to have such a coordinated currency support program than it is to jointly lower interest rates.

"They want to fence the U.S. in," he said, "using coordinated intervention, as a first step to lower rates."

This has provoked an outburst at the Treasury. Not only has the U.S. refused to lower rates, but Treasury Undersecretary Beryl Sprinkel told the press after

the Group of Five meeting that he intends to halt U.S. intervention on foreign exchange markets altogether. "Sprinkel is throwing down the gauntlet to the Europeans," said the source. "He's telling them that the U.S. won't help save the EMS."

### **Banking**

## **New York S&Ls denounce Heimann**

Charles G. Weyant and Paul A. Schesberg, chairman and president, respectively, of the Savings Association League of New York, have publicly characterized Comptroller of the Currency John Heimann's program for the savings and loans as "appalling to ludicrous." Heimann has proposed legislation allowing interstate purchases of S&Ls.

"The Savings Association League of New York State will reserve judgment on legislation being prepared" by the Comptroller, said the League in a press release. "However, based on early reports describing the essential thrust of the proposal, we feel justified in stating that they range from the dangerous, to the appalling, to the ludicrous.

"The measure appears to be dangerous because it points toward an acceleration in the rate of mergers between financial institutions, an alarming concentration of economic power in the hands of relatively few enormous banks, and a diminution, if not obliteration, in the community and housing-oriented identity of thrift institutions."

The New York League noted that Heimann has announced that he has no intention of regulating speculative money market funds, and would rather see the S&Ls deregulated instead. They termed the Heimann plan "appalling, to the extent that it ignores the threat to economic stability posed by the rapid, unregulated growth of money market mutual funds."

Heimann this week suddenly announced his resignation from the Comptroller's post.

### **World Trade**

## **France will push for sale to Soviets**

The French Foreign Affairs Ministry announced on April 10 that France will take "every possible step" to alter the European Commission decision prohibiting French sales of 600,000 tons of wheat to the Soviet Union. France considers the EC decision "incomprehensible and inadmissible," the spokesman said.

The French sales, and U.S. Secretary of State Haig's apparent tacit approval of the move, were brought to light on April 3 when Agriculture Secretary Block publicly blasted Haig, revealing that he had been informed of the matter not by the State Department, much less the Secretary, but by a "foreign" source.

On April 9, the European Commission decided that the proposed sale does not fit within the boundaries of prior EC agreement to toe the line on the U.S. embargo, and not fill the gap created by the American embargo. France insists that the sale falls within the range of normal French volume of farm exports to the U.S.S.R.

The French initiative, and Secretary Block's bold use of it to deal Haig a political blow, have rent a hole in the embargo at a time when domestic pressure against the self-defeating measure has reached a new peak.

Secretary Block and other department officials have stated over and over that they anticipate that the embargo will be terminated within weeks. *Feedstuffs* weekly newspaper revealed in its lead story April 13 that the Reagan administration was now putting the finishing touches on a "contingency framework" for terminating the embargo and proceeding with negotiations for a second five-year bilateral agreement with the Soviets.

The key factor in the White House decision, according to Secretary Block, is a credible cooling down of the Polish situation, especially the threat of Soviet intervention.

## **Briefly**

● **THE TEAMSTERS'** \$2 billion Central States Pension Fund posted an average 7.9 percent yield for the decade, double the average yield for pensions held by bank trust departments and insurance companies. The yield statistic was released by Equitable Life Assurance. Much of the strong Teamster performance came from capital gains on real estate sold by Equitable Life after 1976, when the insurance company was appointed trustee of the fund. Now holding a large portfolio of common stock, the fund is expected to drop to average levels of performance.

● **NORTH CAROLINA** has become the eighth state to have a resolution introduced in its state legislature calling for lower interest rates and credit for productive investment. The sponsor of resolution H.J.R. 819 is Democrat Ron Taylor, a farm implements manufacturer and former American Agriculture Movement member who chairs the state House of Representatives' Public Utilities Committee. Two cosponsors are members of the Rules Committee, which will hear the resolution.

● **HELMUT SCHMIDT** writes that "carefully balanced economic partnership is in the interest of both" East and West, in an article in the spring issue of *Foreign Affairs*. There is no danger of West German economic dependence on the U.S.S.R., the chancellor states, since only about 2 percent of German exports go there.

● **THE ECONOMIST'S** Intelligence Unit, under the heading "Chinese Bookkeeping," warns in a recent report that "Credit terms in Southeast Asia sometimes stretch beyond six months. Goods [are often received] back after several months without payment . . . bribes handed out to local officials . . . debts settled by secret societies, goods stolen, and traffickers compromised."

## Who is keeping Khomeini in power?

by Robert Dreyfuss

More than 26 months after the mob upsurge that accompanied Ayatollah Khomeini's February 1979 coup d'état, conditions within Iran have reached a point at which the fall of the Islamic Republic is a serious possibility. Virtually the whole of Khomeini's original constituency, including the middle class, students, merchants, and some tribal leaders, has abandoned him. Only a tiny fraction of the population still supports the ayatollah and his hangers-on. Strikes and anti-Khomeini demonstrations are commonplace throughout the country. Even among the grand ayatollahs, the chief leaders of Iran's Shiite community, a majority now opposes Khomeini's version of Islamic government.

Yet Khomeini is still there.

The continued existence of the Islamic Republic is generally recognized in Washington as a danger to the stability of the entire Middle East and to the most fundamental U.S. interests. Iranian exiles are willing to cooperate with a potential Reagan initiative on Iran. An opportunity now exists for American moves to help Iran rid itself of the mullahs, provided that the White House defines such a policy in conjunction with its French and German allies, and in coordination with the Soviet Union.

How does the Teheran regime still manage to cling to power?

The fact is that Khomeini is supported from the outside by an international consortium of powers. In general terms, the coalition propping up the mullahs is precisely the one that, in 1977-78, launched the destabilization of Iran, toppled the Shah, and created the Islamic Republic in the first place.

That constellation of forces includes the London oil and financial aristocracy centered around British Petroleum, Royal Dutch Shell, and the City of London banks; the British Secret Intelligence Service (SIS) and its world-famous Orientalist Division; the Socialist Second International, including Willy Brandt, Olof Palme, and, in the United States, the "Ramsey Clark faction"; and the world zero-growth movement.

It is also this London-centered coalition that controls the runaway government of Menachem Begin in Israel and uses the pro-Begin faction of





Muslim cleric leads mourning in Tabriz for an Azerbaijani killed in a clash with Khomeini supporters.

the Mossad, Israel's intelligence service, to support the Khomeini movement.

Finally, the Soviet KGB intelligence service and "Comintern"-style networks of communist parties and fellow travelers in the Arab world and Iran continue to supply moral and political support—and arms—to Tehran.

I filed this report after a series of trips to London, Frankfurt, Paris, and Los Angeles, where I met and discussed the Iran crisis with leading members of the Iranian exile community. In the pages that follow, we will look at the real reasons for the survival of the Khomeini regime, at the brewing insurrection in Iran, at the Iran exiles, and at the prospects for a new government.

### **Khomeini's friends in London and Moscow**

The Khomeini regime was installed to force a drastic increase in the price of oil and a sharp reduction in world energy consumption, as part of an overall Malthusian strategy to reduce world industrialization and population. In part, the strategy was successful. The Iranian revolution forced the price of oil to \$38 per barrel in 1979 from about \$14 in 1978; and Teheran's war with the Iraqis eliminated a great portion of Iraq's 4 million barrels of oil per day in exports, further squeezing global oil supplies.

At the same time, the rise in energy prices has contributed to an industrial recession in the United States and Western Europe. During the Iranian revolu-

tion and the jump in oil prices, Paul Volcker applied a drastic tightening of credit, with worldwide effects, including a cutback in industrial investment. *The increase in the cost of energy caused by the Iran crisis and Volcker's interest-rate squeeze were the twin applications of London's policy since 1979.*

To understand the enormous implications of any change of government in Iran today, consider the following:

Should the Iran-Iraq war come to an end, and some sort of stable government replace Khomeini, there would immediately exist the potential for up to *10 million barrels a day* in additional oil production, based on 1978 output levels. Although less than 10 million barrels would start to flow right away, given market conditions and damage to Iranian and Iraqi oil fields and infrastructure, the renewed flow of oil would set into motion an unprecedented development: *a regular and steady decrease throughout the 1980s in the real price of OPEC oil.*

Saudi Arabia, currently producing more than 10 million barrels per day, would probably cut its output quite sharply to accommodate renewed Iran-Iraq oil. Such a measure, however, would give the Saudis almost fingertip control over world oil prices: using the weapon of its spare capacity, Saudi Arabia could enforce a stable, noninflationary oil price for the foreseeable future. OPEC's hawks, Libya, Algeria, and Kuwait, would completely lose their power over world oil markets.

From London's standpoint, this would be a catas-

trophe. Current British policy calls for oil prices to roughly double by 1982 to approximately \$70-\$80 per barrel. Under current conditions of a world oil glut, and a few indications that OPEC prices have already started to drop slightly, the British are dedicated to maintaining the Khomeini regime.

Thus the British-controlled Seven Sisters, led from London by British Petroleum and Shell and from New York by Mobil Oil, are currently exploiting their extensive intelligence links to both the Bani-Sadr and Beheshti factions in the Iranian government. Their policy is to encourage a prolonged Persian Gulf conflict that will keep oil markets off balance and contain further OPEC price cuts.

### **The Trilateral view**

In a February 1981 report titled "The Middle East and the Trilateral Countries," the Trilateral Commission task force headed by Joseph Sisco noted somberly that "a new irredentism has been created in the Gulf, increasing the possibility of renewed warfare between Iran and Iraq in the next several years." Sisco expects the "clash between modernization and Islam" in the Gulf to "set in motion revolutionary demands, fracture the social structure, and upset traditional sectors of society, lending strength to the possibility of an Islamic revival" in Saudi Arabia.

Alvin Cottrell, a geopolitician at the Washington, D.C. Center for Strategic and International Studies (CSIS) at Georgetown University, concurs. Cottrell foresees "permanent instability" in the Gulf and a drawn-out Iran-Iraq war; and, although he pretends to maintain friendly contacts with the anti-Khomeini exiles, Cottrell believes that a stable "Khomeini-style" regime will eventually emerge in Iran, allied with the Anglo-American camp.

This is also the view of former U.S. Ambassador to Iran William Sullivan, who now works for George Ball and Averell Harriman at the American Assembly in New York, and is a strong partisan of the Ayatollah Beheshti, the strongman of the ruling Islamic Republican Party. (Among Iranians, Beheshti is often called "Sullivan's mullah" because of their close links in 1978-79.)

### **The Iraq war**

The Anglo-Trilateral faction is doing its best to obstruct a settlement of the Iran-Iraq conflict, which would bring Iran's armed forces back from the war front to the cities. In that case, the army—generally hostile to Khomeini and filled with supporters of the monarchy—would play an increased role in political life, and the possibility of a military coup d'état would sharply increase.

An additional reason to prolong the war is the hope shared by London and the Muslim Brotherhood in Iran that the war will undermine Saddam Hussein's prodevelopment government in Iraq.

On Iraq, the U.S. policy—by default, since Washington has not developed a coherent Middle East policy—is to continue Carter's policy, namely, to destabilize the Hussein regime. In the past two months, American intelligence personnel have streamed to Iraq, including Joseph Malone, a former Beirut CIA station chief; Miles Copeland, a CIA veteran; and Alfred Lilienthal, a CIA-linked anti-Zionist crusader. All the visitors have close ties to London intelligence organizations, and they believe a prolonged war will undercut Hussein. An April 12 visit to Baghdad by Morris Draper of the State Department, intended to improve U.S.-Iraq relations, came to nothing, sources say.

### **The Soviet dimension**

The KGB faction in the Soviet Union is positioned to take advantage of the Iran crisis. President Brezhnev does not intend to make any power play to seize control of Iran, because he and his Politburo allies value their détente relationship with France and West Germany too highly to risk it all by taking Iran. On the other hand, the KGB and the CPSU International Section under Central Committee member Boris Ponomarev have taken advantage of the Iranian situation to increase Soviet intelligence activities there, especially in the northern border areas, and to support the Tudeh (Communist) Party.

According to Iraqi sources, since the start of the war the Soviet Union has cut Iraq off from weapons supply, and Moscow has even refused to return to Iraq two Soviet-made bombers sent to the U.S.S.R. for repairs last year.

At the same time, the Soviets have encouraged their allies in the world communist movement, particularly the communist parties of the Arab sector and the Syrian government, to support the Khomeini regime; and Moscow has approved arms supply to Khomeini from Libya, Syria, North Korea, and other countries. A great deal of Iran's arms supply also comes from the black-market arms traffickers tied to Anglo-Israeli secret services, and from secret U.S. and NATO transfers.

The Soviet calculation at present is that the British will succeed in maintaining the Khomeini-led clergy in power, which means the eventual breakup of the nation into statelets and tribal provinces. At that point a Soviet move into Iran—possibly following a procommunist coup in some provincial capitals and in Teheran itself—would be likely. A strong Western resolve to support the re-establishment of order in Iran would, however, probably suffice to deter Soviet action.

# The opposition to Khomeini: perspectives and prospects

by Robert Dreyfuss

Throughout the country of Iran, the opposition to Khomeini's gang of mullahs—the "Qom mafia"—has reached a certain threshold level. Although Iranian leaders outside Iran sometimes claim to expect a slow spread of counterrevolutionary ferment in Iran, in fact, according to intelligence sources, Khomeini's own security services and *komitehs* and Revolutionary Guards are reportedly strong enough to clamp down on isolated instances of unrest and insurrection. In such circumstances, it is more likely that a successful rebellion against Khomeini will take the form of a sudden, nationwide uprising and general strike leading to the establishment of an emergency military government and the suspension of the Islamic "constitution."

Filtering out of Iran are many manifestations of anti-Khomeini resistance. In Lahijan in northern Iran last month, anti-Islamic Republic rebels seized control of the *komiteh* headquarters in that city and expelled the Revolutionary Guards, killing many of them. "Filthy mini-groups," said Ayatollah Rafsanjani, "are declaring independence in Lahijan and the occupation of the governor's office." The National Voice of Iran, a procommunist radio station based in Baku in the Soviet Union, blamed "enemies of the revolution and world-devouring U.S. imperialism" for the Lahijan uprising in a March 9 broadcast, while Radio Iran, a pro-Bakhtiar clandestine broadcasting station, had words of praise for the rebels.

In other instances around the country in the area south of Teheran and Qom, well-armed Qashqai tribesmen clashed repeatedly with the Revolutionary Guards throughout the mountainous areas in central Iran. In Isfahan, an industrial city, some of the more than 2 million Iranian refugees created by the war engaged in a near-insurrection against the forces of the regime, and all refugees were banned from entering Qom, the headquarters of the Khomeini circle. On March 24 in Teheran, a large explosion ripped through the offices of the Central Committee (*komiteh*) there, causing a great deal of damage and leading to panic among Khomeini officials. That explosion was followed soon afterwards by an explosion at Teheran's largest mosque, which is also a political and military headquarters for the Muslim Brotherhood, which helps control Khomeini.

Throughout the country, there have been dozens of attacks and assassinations against the mullahs, who go armed with their private militias. One secret society alone, operating underground in Iran, claims to have killed more than 130 mullahs in 1981. And, according to a March 10 broadcast on Radio Iran, "Reports from Teheran state that Sadeq Khalkhali, Mohammed Beheshti, Ali Qoddusi, Musavi Ardabili, Hashemi-Rafsanjani, and Ali Khamenei have been terrified by telephone calls and written messages from a group of unidentified persons and have doubled their bodyguard." Ayatollah Shirazi, a leading Khomeini fanatic, was almost killed on March 30 in Shiraz in Fars Province.

The devastating economic crisis in Iran has led to a wave of strikes in almost every Iranian city, including Teheran, Tabriz, and Isfahan. Both blue and white collar workers, along with *bazaaris* (merchants) have participated in strike actions. Behzad Nabavi, the Iranian minister of state for executive affairs, said last month that the strikes were the work of "counterrevolutionaries" seeking to "topple the government of the Islamic Republic." Bluntly, Nabavi declared that "it is not possible for the government to raise wages" and so workers must "choose between revolution and higher wages."

Also, since February, Iraq—as part of its war effort—began officially shipping weapons into Iran to Kurds, Arabs, Turks, and certain tribal elements, as part of a deliberate Iraqi political campaign to undermine the hated Khomeini clique. In response, a panicked Iranian government last week declared that it is prepared to give regional autonomy to ethnic and tribal minorities like the Kurds. But, for these groups, who have had enough of Khomeini, promises of a bit more freedom will not counterbalance the prospect of ridding Iran altogether of the Khomeini plague.

Currently, at least three separate clandestine anti-Khomeini radio stations are making their voices heard inside the country from bases in neighboring countries. Sponsored by Iranian exiles, these radio stations include Radio Iran, the Voice of Iran, and the Free Voice of Iran. Last week, Khomeini's regime took the lame measure of banning the import of short-wave radio

receivers into Iran!

At the same time, there has been a proliferation in recent months of organized opposition groups inside the country. Of course, the exact strength of such organizations, whose activity is very secret and not readily verified, is uncertain. But it would appear that, more than at any other time since the Khomeini revolution, there is an organized resistance. Among the groups now active in Iran, there are:

- **ARA**, or the Iranian Liberation Army, said to be headed by Gen. Javad Moinsadeh;
- **the National Resistance Movement**, and the **NEQAB** organization, loyal to Shahpour Bakhtiar;
- the monarchist **Council of Guardians of the 1906 Constitution**, active throughout the country but said to be particularly strong along southern Iran's Persian Gulf shore;
- the **Free Iran** (Azad Iran) group, formerly led by Prince Shafiq, nephew of the Shah, who was murdered in Paris in 1979, and now led by Princess Azzadeh;
- General Gholam Ali Oveissi's **Organization for the Deliverance of Iran**;
- General Rahimi's **Guardians** (*Dejban*), derived from a term meaning military police;
- the **Free People** (*Azadegan*) movement and the **Forces for the Liberation of Iran** of Gen. Bahram Aryana, former Iranian Imperial chief of staff; and so forth.

The coordination between the exile leaderships of these groups and the actual on-the-ground forces that they can deploy is, of course, top secret. At least to some extent the claims of these organizations are exaggerated. But what is certain is that should the time for an actual uprising occur, the existence of these disparate groups can rather quickly be wielded into a single, coordinated force. Many of these groups currently operate as secret societies that have managed to penetrate into the military leadership of the Islamic Republic and into the inner councils of the Khomeini machine.

For instance, said one exile activist, "Our group has been able to penetrate directly into the office of President Bani-Sadr itself, where we have planted a number of loyal officers in command. In addition, we control at least 4 of the 17 districts of Iran in the komitehs, and we have forces inside the central komiteh in Evin Prison, in Teheran itself." He said that the leadership of the group is actually living in Iran now, relying on political networks that go back many decades.

According to some accounts, in February 1981 a few of these opposition groups got together to issue an ultimatum of sorts to President Bani-Sadr. In effect, they offered Bani-Sadr a deal in which the president would be given amnesty after the counterrevolution on the condition that he now renounce the Islamic Republic itself. Of course, Bani-Sadr—who has made a great show of supporting the Iranian armed forces in an effort

to purchase their political backing for his confrontation with the mullahs—was not expected to agree to such a demand, if, for no other reason, than it would mean his immediate impeachment and trial for treason.

"But our strategy was something different: to use even the offer of an amnesty to Bani-Sadr to split the camp of the mullahs. Many of them, especially those like Khalkhali and so on, feared that Bani-Sadr might be tempted at some future point to accept the offer, and so they feared that they, the clergy, might be left out of a new arrangement between Bani-Sadr and the armed forces," said one source.

From that point on, the conflict between Bani-Sadr and the mullah-controlled Islamic Republican Party (IRP) has continued to worsen. At a March 5 rally, where Bani-Sadr addressed a large crowd, a gang of *hizbollahis* ("party of God") tried to attack the crowd and were repulsed by forces loyal to Bani-Sadr. Involved in the counterattack were armed elements from a newly established unit that was called the Presidential Guard, a paramilitary body nominally controlled by Bani-Sadr. In the next days, Prime Minister Rajai, Nabavi, and Rafsanjani attacked the establishment of the Presidential Guards.

Nabavi said on March 12, "I have received some documents indicating that such a unit exists. . . . It has also been discovered that the said unit is being maintained by the defense ministry financially. In any case, it should be said that the formation of such a unit is illegal."

Rafsanjani was equally upset. "What role does this guard play? On what legal ground has it been established? Where does it get its budget? Who are these people?" An official statement by one of Khomeini's organizations bluntly accused Bani-Sadr of committing

## Ayatollah Qomi says regime violates Islam

*According to an Agence France Presse dispatch that appeared in the French daily Le Monde April 11, the "grand ayatollah" of the holy city of Mashad, Hassan Qomi, has "broken his silence" and has issued "very grave accusations" against the leadership of the country, accusing the leaders of not being "true Muslims," and deploring that the Mashad clergy is not listened to by the Iranian leadership. Le Monde labels the Qomi attack "the most vehement" to be issued from his school at Mashad to date. Le Monde quotes Ayatollah Qomi as saying:*

All that these leaders do, including [President] Bani-Sadr, is not Islamic; they do it in the name of

treason: "The gathering of Savak members, counterrevolutionary groups, and bankrupt nationalists around the president are a particular cause of concern."

Then, Nabavi directly attacked Bani-Sadr. "We realize that there have been moves aimed at weakening and overthrowing the government. The president himself has had a hand in these," he said. K halkhali accused Bani-Sadr of treason, and there continue to be rumors that Bani-Sadr will be put on trial.

But Bani-Sadr—whose position improved somewhat after a March 16 threat to resign—is making some kind of counterattack over the economic issue. Citing figures that appear shocking even to veteran observers of the Iranian revolution, Bani-Sadr showed that the productivity of the Iranian economy is collapsing so fast that the country cannot survive much longer without a peace settlement with Iraq and a reconstruction program. Since then, however, the IRP clergy have made new efforts to isolate Bani-Sadr, not because they fear his personality, but because they fear that he might be used by the armed forces as a vehicle for increasing the military's influence in the government and then eventually staging a coup.

For instance, *Mizan*, the pro-Bani-Sadr newspaper published by former Prime Minister Mehdi Bazargan, who is the leader of the so-called liberal faction, was closed down this week, and its editor, former Commerce Minister Reza Sadr, arrested.

"The disagreement within Khomeini's group is now taking the form of a fatal wound that will eventually lead to the destruction of the regime," said Radio Iran on March 15. "The past threat and the present silence by Khomeini on the subject of the attacks on each other by the Bani-Sadr and Beheshti groups show that he is unable to use his influence over his lackeys."

Islam, but their trials, their tortures, their decisions, the confiscation of personal wealth, are against the Islamic law. Often, the Islamic tribunals are directed by people who don't know Islam, who are corrupted, without mercy, and the great majority of their decisions have no value. . . .

In order for the country to escape from the crisis, it is necessary that all the revolutionary organizations that exist in Iran be dissolved, for they are corrupted, including the *komitehs* [Islamic security forces] and the *pasdarans* [guardians of the revolution]. . . .

The true clergy doesn't want power, it does not approve the clergy that governs us. The true work of the clergy is to give its opinion to the people and to enlighten them. True Islam is the religion of pardon and of mercy, as the Prophet showed when he pardoned his greatest enemies.

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## Interview

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# Shahpour Bakhtiar discusses Iran



*The following is an EIR interview conducted by Robert Dreyfuss on April 9, 1981, with Dr. Shahpour Bakhtiar, the former Prime Minister of Iran. Dr. Bakhtiar headed the Shah's government in Iran for 40 days in January-February 1979, just before the return of the Ayatollah Khomeini and the coup d'état that overthrew Bakhtiar and ended Iran's monarchy.*

*During his tenure, Dr. Bakhtiar fought the efforts of Khomeini's mullahs, and predicted that if the mullahs took over Iran, only chaos and destruction would follow. But Bakhtiar was unable to persuade a sufficient number of so-called moderates to support his government, and he was faced with traitors inside the Iranian military command who, in collaboration with the Anglo-American secret services, were working behind-the-scenes to bring Khomeini to power. In addition, the British and American ambassadors in Teheran and Gen. Robert E. Huyser, President Carter's special envoy, deliberately worked to undermine Bakhtiar's government.*

*Since then, Bakhtiar has been a leader of the Iran exile movement. He is now living in Paris.*

**EIR:** It's been more than two years since the mullahs took over Iran. So far, the Iranian resistance has not developed a unified leadership, and personal differences seem to keep the exiles divided. Is it possible that this will change in the near future?

**Bakhtiar:** As far as I am concerned, after the mullahs

took power, and also much before, I had denounced unequivocally the horror that would result after their seizure of the country. That forecast of what would result has been confirmed absolutely, and the result in the country as a whole is well known to have occurred exactly as I had predicted, economically, socially, and from the standpoint of security.

When I left Iran 20 months ago to come to France, there was absolutely no resistance. There were angry people, and they became more numerous; but no one then dared say anything to Mr. Khomeini about his system. I was the first to say it energetically and, again, unequivocally. Since then, as things began to worsen, certain people were tempted, as we say, to jump on a moving train and to rush to the rescue that a victory would mean, if there is to be such a victory. In this, there were people who had collaborated with Mr. Khomeini and who now find themselves pretending to take part in the resistance against him. I don't want to name names; you can guess who they are yourself.

Thus, I consider that all those who collaborated with the enemy, that is to say Khomeini, should not be in the first ranks of the resistance. They could, under exceptional circumstances, contribute some service to the country. But, as you remember, in the days of General de Gaulle, one of Pétain's ministers named Duchaud, who had collaborated with Vichy and then went to Algeria in 1943—well, he was shot the next day. That is why—for many people—there are rules to abide by.

Also, there are personal squabbles. Again, I do not want to name anyone. But there are people who have pretensions which are absolutely ridiculous and who are backed by certain personalities in New York who give them money and push them to liberate their country. These people are not very popular inside the country but they work in such a way as to prevent the unification you are talking about. [Princess Ashraf Pahlavi, the twin sister of the late Shah of Iran, lives in New York and provides financial support to Iranian exile movements—ed.]

In a word, when I started, there was no one. And today, I believe without any doubt that I am still way ahead of those who pretend to be able to lead the country to freedom.

**EIR:** There has been some hope among Iranian exiles that the new administration of Ronald Reagan will act in the belief that the regime of the mullahs is not in either the American or the Iranian interest. What do the exiles want from the United States?

**Bakhtiar:** First, let me say this. I wouldn't say only exiled Iranians—the great majority of all Iranians have had more than enough of Khomeini and his regime of mullahs, and even those so-called moderate mullahs, those who have no turbans, who call themselves “mod-

erate personalities.” I must say that both inside and outside of Iran, if there was freedom the majority would vote against Khomeini.

As for the Carter administration, it was, I must say, extremely weak as far as general policy decisions are concerned. And, as we explained during the hostage crisis, if you have hostages held by the Khomeini regime it is your right to do as you wish, but by all means do not constantly flirt with the mullahs in the hope—by the way useless, as you have seen—that they will cooperate. Because they will not. And, of course, they did not free the hostages until the day Reagan was sworn in as President. They found themselves faced with a man who was stronger and more determined. I can thus say that a clear and determined policy is always a much more profitable one.

**EIR:** There have been reports of tension between your movement and the monarchy. Can you see the monarchy and the democratic movement cooperating in a future government?

**Bakhtiar:** I have always maintained, in the good tradition of Mossadegh, that the monarchy is not in itself a bad thing, a bad regime. What is essential in a country is to have certain liberties, a national sense of progress.

From the geopolitical standpoint, it is probably desirable that a constitutional monarchy—and I do say constitutional—be established without the bad aspects that we have known in Iran. I am not opposed to monarchy, but I say simply that constitutional law—which, by the way must be changed, moderated—must be fully applied. Above all, there must be no dictatorship of any sort.

Of course, there is no comparison between the regime under the Shah and the one under Khomeini. The Khomeini regime is infinitely disgusting, more so than any regime. It is inhuman, it is an anti-Iranian regime. From every aspect, it is not even a regime—it is chaos and a disaster.

**EIR:** What is your evaluation of the situation inside Iran? Would a political victory by President Bani-Sadr be useful in any way to weaken the power of the clergy?

**Bakhtiar:** Once Khomeini is gone, these people will be wiped out—unless the Western world, and I do not want to name any country, continues to flirt with these people again, in the hope that they can do something.

What we want, simply, is to be left free in the choice of our own government. Unfortunately, during the past two years the Western world has done all that it could, more or less directly but discreetly, to support and maintain Mr. Khomeini. You know this probably better than I do.

As for the army as a whole, they cannot but have disgust for Khomeini and for the little games of Mr. Bani-Sadr, who claims to be a partisan of the army. This

is a game that is simply grotesque. Bani-Sadr has been the head of the Revolutionary Council that has condemned to death and executed senior officers and young officers without trial. As for Bani-Sadr personally, he is an insignificant personality and he has no weight.

**EIR:** There are reports that many of the leading Iran clergymen oppose Khomeini. Is this true?

**Bakhtiar:** Yes, discreetly and without a lot of fanfare, there are those who are against him, like Mr. Shareatmadari and Mr. Qomi. These people are sincere—but since there is an atmosphere of lies and terror they cannot speak out.

**EIR:** In your view, who bears the primary responsibility for bringing Khomeini to power? Many Iranians believe the saying that “under the beard of the mullahs it says Made in England.” Our magazine has repeatedly exposed the role of the British and Jimmy Carter in supporting Khomeini’s rise to power. What do you think?

**Bakhtiar:** I cannot say in a firm way. Evidently the weak points of the old regime has made this possible. But what Iran was seeking was not a Khomeini-type regime, but a regime where fundamental liberties would be respected and where social inequalities would have disappeared, in a democratic and nationalist manner. The Iranian people, at least, did not want a mullah government. Never! Even the people who today yell “Khomeini!” are generally illiterates who have managed to find some interests in the new regime.

Otherwise, as a whole the people wanted a lot of change; this is normal, and I participated in it for a number of years. But no one wanted Khomeini or other loudmouths.

As for your own analysis, I really do not have enough information to judge. I know one thing, however: that is the fact that the Western powers as a whole, and especially in a visible manner at the end of my government and more so in the last six months, have willingly supported the access of Khomeini to power—led by the BBC [British Broadcasting Company].

**EIR:** Concerning the war with Iraq: do you see any prospect for a settlement? What will be the effect of a settlement on Iranian internal politics?

**Bakhtiar:** One thing is certain. A victorious army would be dangerous for Khomeini, and a defeated army—by turning around—would also be dangerous. In consequence, Iran finds itself in a state between war and no war, that is to say, this funny kind of war that we are now witnessing.

**EIR:** How do you see Iraq’s motives in beginning the war?

**Bakhtiar:** The problem is simple. There are two factors

to be distinguished.

Iraq is an aggressor without doubt. But I have to say why, because, ever since the first day, Khomeini has said in a very direct fashion that he wanted to destroy the political system in Iraq and that he wanted to impose his archaic conceptions of government across the whole region. So, he systematically destabilized the region by exporting the so-called revolution he created in Iran, and this exasperated the government in Iraq.

Again, I have condemned the war and I see Khomeini as a cause of the war. Not only that, but after many years of misunderstanding we had succeeded in having correct relations with Iraq. So Khomeini is responsible—but that does not mean I approve of Iraq’s actions.

Also, there is the Iranian army which has been destroyed and thrown into a state of disintegration by the mullahs. This is a fact, and it has not gone unnoticed around us in Iraq. Therefore, the temptation was very strong. So, the army is weak and Khomeini is poisoning them, and then you have the start of the war—no need to look any further.

**EIR:** What do you think of the policy of the Soviet Union toward Iran? And what would be your policy toward the Soviets if you gain power?

**Bakhtiar:** I would say that under the cover of Khomeini in Iran, there is a good opportunity for the Soviet Union to help the regime and to increase its own influence. But I think that the Soviet leadership is really waiting to see what the future will bring before they make any decisions.

Concerning my policy, I consider that any independent country has to consider first its own national interests, without contradicting that of any other people. In that perspective, we must have the best of relations with all countries, and particularly with our neighbors.

**EIR:** In the past two years, the mullahs have destroyed more than industry and agriculture. They have also deeply wounded Iran’s cultural life, in particular destroying education and science and ruining much of Iran’s youth. In rebuilding Iran, how do you view the problem of culture?

**Bakhtiar:** The Khomeini plague has to be considered as a black parenthesis in the history of Iran. It is the contrary of the national values and humanist sentiment, the great moral principles that were always the leitmotifs of our civilization. They must again be put forward; consequently, I find irrefutable the mission of reconstruction, not only of the economy of Iran but also the return of those values with even more freedom and vitality.

Of course, we cannot live without Western technology; we have some already, and we must pursue our agriculture and industrial development.

# The Robert Moss network 'spikes' EIR

by Robert Dreyfuss

Recently, a photocopy of an article in the British-controlled *Human Events* magazine slandering *EIR* founder Lyndon H. LaRouche, Jr. as an agent of the KGB was distributed to many Iranian exiles. Attached to the article was a brief instruction: "It is your duty to copy and send this to every Iranian. Our nationalism should not be misused by people probably more dangerous than Khomeini."

Worse than Khomeini?

The charge that LaRouche and *EIR* are somehow communist agents was generally ridiculed by many of the Iranian exiles for whom *EIR* has been the only reliable source of intelligence on Iran for the past two years. But soon after the anonymous item described above began making the rounds, an article in the West German press gave the game away.

Writing in the daily *Die Welt*, Harold Vocke uncorked a direct attack on *EIR* and its analysis that the Muslim Brotherhood is a creation of the British SIS. In a review article ostensibly devoted to *The Spike*, the cheap spy novel by Robert Moss and Arnaud de Borchgrave, Vocke charges that *EIR* is publishing KGB disinformation concerning Iran. (The subject of *The Spike*, of course, is KGB disinformation.) Says Vocke:

A peculiar impression is created by a brochure ["Special Report on the Muslim Brotherhood"] published by the *Executive Intelligence Review* in Wiesbaden. With a lot of names and facts which look real at first sight, the argument is developed that Khomeini is in fact a puppet of the Americans and that the Islamic reform movement of the "Muslim Brotherhood" is in fact a tool of the British secret intelligence.

The document ends with the allegation that the U.S. administration had been an accomplice of the hostage-takers during the seizure of American diplomats in Teheran.

What is striking in this confused Khomeini report is that there is a lack of any hint of Soviet influence in Persia.

We live in a complicated world. The more con-

tradictory information on an important event that is circulated, the more difficult it is even for a person interested in politics to draw the correct conclusions from it. More and more, we hear the term "disinformation." Are there really people in our radio, our TV, and newspapers who are spreading false information? The just-published book *The Spike* is a sensation. . . .

The authors of the Wiesbaden [*EIR*] document are also actors that appear in *The Spike*, though in different costumes.

By implying that *EIR* is part of a KGB-Soviet "disinformation" effort, Vocke—and Robert Moss—have given their game away. As any Iranian official of the previous regime will testify, *EIR* is the most accurate publication on the truth about Khomeini that has been seen anywhere. Those who attack *EIR* on the basis of its coverage of Iran and exposés of Khomeini are precisely those who are the strongest secret defenders of the Khomeini gang!

Robert Moss and Arnaud de Borchgrave, authors of *The Spike*, are at the center of an intelligence nest of British SIS subversives who were deeply involved in helping to bring Khomeini into power. Among their collaborators in the hard core of this network are such luminaries as Michael Ledeen of Georgetown CSIS; terrorist expert Claire Sterling; anthropologist-kook Jacques Soustelle; Richard Allen and Richard Pipes of the U.S. National Security Council; Chaim Herzog of Israeli intelligence; Britain's Lord Chalfont and Bernard Lewis of Princeton University; and Edward N. Luttwak, the insane war strategist of CSIS.

This is the grouping which interfaces directly with H.A.R. "Kim" Philby's anglophile faction of the Soviet KGB, and the group which helped to topple the Shah in 1979.

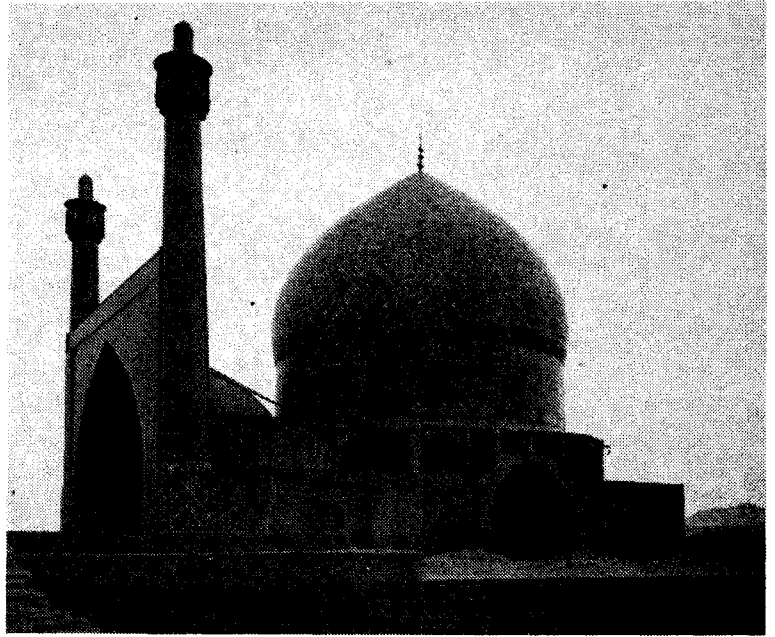
One of the products of this network is a filthy collection entitled *Debacle: The American Failure in Iran* by Michael Ledeen and William Lewis of CSIS.

The book indeed is a "debacle." For what it does is attack the defunct Carter administration for refusing to support the Shah, and it allegedly documents how Washington's "confused" policy led to the mullahs' rise to power. Nowhere in the book, however, does Ledeen get around to mentioning the role of the British SIS in bringing Khomeini into power, despite public and written testimony to that effect from the Shah and his twin sister Princess Ashraf, both of whom mention in their accounts of the Iran crisis, published last year, the role of London's intelligence agents in controlling the left and the clergy in Iran.

Iranian patriots are hereby forewarned: beware of the Moss-Borchgrave-Ledeen "Brand X" information—or "disinformation"—on Iran.



## The magician: Khomeini caught stealing bones



*Executive Intelligence Review has received from a special correspondent an article titled "New Tomb of Imam Ali to be Built in Iran," concerning cult leader Ayatollah Khomeini's latest attempt to shore up his declining support among the religious leaders of Shiite Islam. At present, most of the grand ayatollahs either publicly or silently oppose Khomeini's perverted theology. As the following makes obvious, Khomeini is currently attempting to perpetrate a hoax of historic proportions by claiming to have secret knowledge of the real whereabouts of Imam Ali bin Abu Talib, the Muslim caliph who founded the Shiite party, and to transfer from Najaf in Iraq to some obscure Iranian location the holiest shrine of the Shiite faith.*

LONDON—It is reliably learned that a new tomb of Imam Ali bin Abu Talib, the fourth Muslim caliph, will be built in Iran near Qom, the residence of religious leader Ayatollah Khomeini. This will replace the holy city of Najaf as the burial place of Imam Ali. The new holy place in Iran will be called Heydara.

According to reliable sources, during a meeting between Hojatolislam Shirazi and a number of Muslim visitors from Pakistan and Afghanistan, the ayatollah divulged for the first time details related to a secret committee formed by orders from the Ayatollah Khomeini and drawn from the top-level strata of the Iranian clergy for the purpose of building a new mosque incorporating the tomb of Imam bin Abu Talib.

Ambitious plans have been made to build a totally new city called Heydara which is envisaged replacing Najaf, the most important center of the Shiite sect and the most respected religious seminary for Shiite studies.

Shirazi pointed out that the Faqih Khomeini was the deputy of the imam on earth and as such he would disclose some secrets related to this project and entrusted to him. These secrets have been kept in the custody of the Faqihs over 1,200 years, Shirazi said.

According to sources, the main part of the revelation which Khomeini will declare to the world is that the remains of Imam Ali were secretly removed from Iraq in the year 183 of the Muslim era. According to this story, Caliph al-Mamun abdicated the caliphate in favor of Ali bin Musa al-Riza, a descendant of Imam Ali. They both agreed on one condition: that the remains of the Imam Ali be removed to Iran. This was to be kept secret until such time as a government dedicated to the restoration of the full honor of *Ahl Bayt*, the descendants of the prophet, is restored to Persia.

It is worth mentioning that last year Khomeini called for the transfer of the Marji'ira (the central religious authority of the entire Shiite sect) from Najaf to Qom. The first stage of the current project involves the construction of the mosque and tomb and a number of buildings, including a religious college and a number of schools for Islamic law. The second stage will begin with a conference to be attended by religious leaders from most Muslim countries, during which Khomeini will divulge the secret entrusted to him and his predecessors. He will also explain why the caliphate insisted on moving the remains of Imam Ali to Persia some 1,200 years ago.

Shirazi gave additional details regarding the location of the shrine, to the southeast of Qom. And around the shrine a new holy city will be raised and a whole network of roads and communications links will be built to connect it with the rest of Iran and the whole world.

## ARA clarifies its policy proposal

*On Feb. 3, 1981, EIR published excerpts of an article in ARA, newspaper of the Iranian Liberation Army, concerning Soviet President Brezhnev's proposal to negotiate a pact of neutrality for the Persian Gulf. In that article, the EIR mistranslated ARA's point of view to imply that the ILA had supported the Brezhnev proposal. In addition, we incorrectly identified the ILA with the movement of Gen. Ali Oveissi. To correct these errors, we are publishing the following letter and corrected translation.*

March 13, 1981

Attention: Editor-in-Chief *EIR*, Mr. Criton Zoakos.

Subject: Contents of eighth edition of the magazine issued on Feb. 3, 1981, concerning the Iranian Liberation Army's opinions about Mr. Brezhnev's suggestions during his trip to Delhi. Parts of an article [from the ILA newspaper] were used in the above-mentioned magazine by Mr. Robert Dreyfuss.

While thanking the special attention of your magazine to the Iranian Liberation Army and its publications, we wish to point out the following observations:

1) The ILA is an independent political and military organization believing in an armed struggle for the freedom of Iran. *ARA* is the publication of this organization. Ever since its birth, the ILA has striven to aid all the opposition groups—one of which is the *Nehzat-e-Nejat-e-Iran* (Organization for the Deliverance of Iran) headed by General Oveissi.

2) The article "Atrocious Errors of East and West" and that of Brezhnev's suggestions in Delhi, parts of which were used by Mr. Robert Dreyfuss, are the opinions of the ILA, with no connection to General Oveissi.

Misleading errors have been committed in the translation of the aforementioned articles, since the opinions of the ILA are totally in opposition to the understanding of the writer of your article.

In this article and in another one by the name of "The 1907 Treaty Pipe Dreams" (published in the Dec. 12, 1980 issue of *ARA*), this organization totally rejects the suggestions put forward by the Secretary General of the Communist Party and has relatedly issued a warning to the West.

The complete translation of both articles are hereby enclosed for your re-evaluation.

Thanking you once more for your attention, we remain,

Sincerely yours,  
The ILA Public Relations Office

*The following is an excerpted version of the article in ARA titled "Atrocious Errors of East and West Vis-à-Vis Iranian Nationalism," previously published but mistranslated by the EIR.*

Republican America respected the stability of the Middle East, but Democratic America with perfect accord broke this stability in a meeting in Guadaloupe with London and Paris. They crossed out all the national powers, in particular that of Iran. It was through this Western policy that Russia made an entry into the unstable Middle East, first engulfing Afghanistan in a single night, and then, under the pretense of aiding Carter, camouflaged in religion, managed to expand its intelligence network throughout Iran and Afghanistan, hence abruptly cutting short American influence in the area. Now that the area is in total anarchy and Russia needs time to digest its fruits, it proposes slogans of neutrality. . . .

Washington is mistaken because it has not enough knowledge or understanding of the area. . . .

London is making a mistake even though it has sufficient knowledge of Iran and the Middle East. London destroys all nationalist movements, all its intention focused on supporting reactionary movements, especially that of the religious fanatics, reactionary feudalists, and feudal lords. . . .

Paris is mistaken. . . . Paris is wrong in participating in the political and propaganda crimes of London. Paris has forgotten that because of the humanist aspect of France, ever since Napoleon, the Iranians have tried to maintain the prestige of France in their country. . . . The particular relations of de Gaulle with the Iranian leader had profound links which should not be forgotten by his successors, some of which through following the miscalculations of London and Washington have deviated from the de Gaulle path. . . .

The U.S.S.R. is after something else in Iran. The Soviets are well aware that the Khomeini conspiracy is reactionary and they make use of it to increase their numerous intelligence sources. . . .

The Russians are mistaken in their understanding of Iran and Iranians, because they see us through British eyes. The Soviets should reassess the force of Iranian nationalism. It would seem that the results of their research in Iran has proved of no value to their Political Bureau; otherwise, it would be obvious to them how men like Khomeini came to be.

# Iranian official indicts Carter for overthrow of Shah

February 28, 1981

To: President of the United States, Washington, D.C.  
United States Chief Justice, Supreme Court  
International Court of Justice, the Hague  
Subject: To lodge a claim against Jimmy Carter, former President of the United States of America, on the ground of the Final Verdict of the Nuremberg Court and the Charter of the United Nations that:

First, Crimes against humanity are not subject to the statutes of limitation; and second, that the decision-maker, the commander, and the assistant must be punished regardless of their positions;

Therefore, hereby a claim is lodged against Jimmy Carter for empowering and prolonging the job of the current antihuman and invading government of Iran, which is worse, relatively, than the Fascist and Nazi regimes.

1) Based upon the statements of Mr. William Sullivan, former Ambassador of the U.S. to Iran, he went to Niwaran Palace and ordered the lawful leader of the country of Iran not only to leave his own country but to announce the date and time of his departure. Corresponding evidence and eyewitnesses will be introduced into the court.

2) On the orders of Jimmy Carter, General Robert E. Huyser, Deputy NATO Commander, was assigned to break down and scatter Iran's armed forces in favor of the rebels, which resulted in insecurity, terror, horror, torture, plunder, confiscation, and the elimination of personal and social freedoms of Iranians, especially religious minorities such as Christians, Jews, and Zoroastrians, and the flight to refuge of millions of Iranian people. Huyser's actions have been testified to by commanders of Iran's forces in Iran's so-called Islamic Revolutionary Court, and other explicit evidences and eyewitnesses are available to the court. . . .

4) Mr. Carter even voided the lawful and valid visas of Iranians to visit the United States which had been obtained from U.S. Consulates in order to prevent the entry of those refugees who had become victims because of Mr. Carter's actions, and suspended the applications of 20,000 Iranians for political asylum contrary to inter-

national law and the Charter of the U.N. These Iranians are among the outstanding and knowledgeable people in the world, doctors, engineers, lawyers, officers, professors, and businessmen. . . . Such actions are merely to help a barbarian and terrorist government, which has violated all international laws and human rights and explicitly engaged in blackmail through hostage-taking.

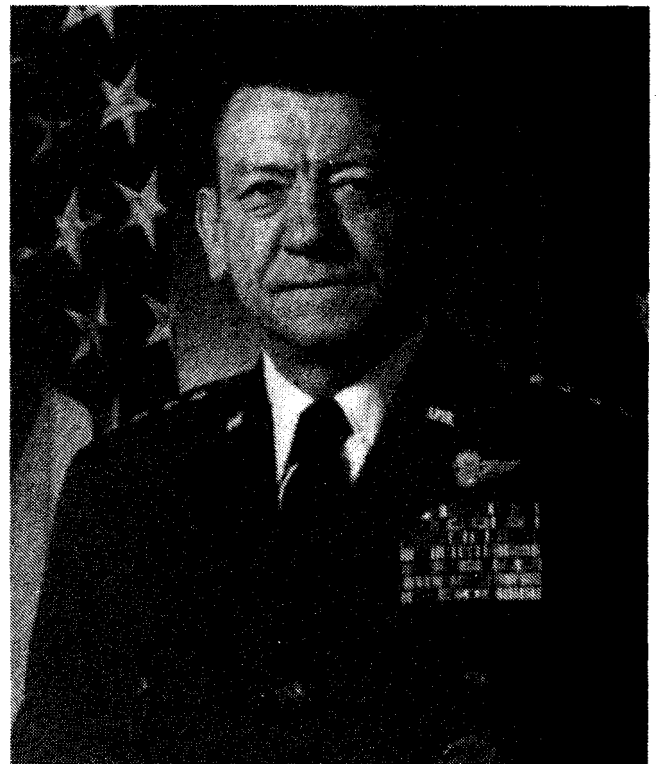
5) By violating the visas to enter the United States and, on the other hand, by suspending asylum applications, Mr. Carter caused Iranian families to remain separated for several years. . . .

6) Human rights have been disregarded even regarding those students who are on student visas and are going to school full-time.

7) There are eyewitnesses and undeniable evidence to prove the above statements. This will be presented to the court or body handling the case.

8) This great loss for the free world and human freedom, the invasion of Afghanistan by the Soviet Union, the killing and ravages of the Iran-Iraq war, are all paving the way for the expansion of communism in the Middle East and other parts of the world.

Very truly yours,  
Seyyed Jalal Taghavi Larijani, Representative and  
Member of the Board of Directors of Iran's Shoraimeli  
Majlis before the invasion of Iran by the present  
terrorists, San Diego, California



Gen. Robert E. Huyser

## The lineup for the French presidential elections

by Garance Upham Phau

Between the preliminary presidential balloting on April 26 and the runoff on May 10, Frenchmen will have to decide between the re-election of President Valéry Giscard d'Estaing for another seven-year term, and the election of Socialist Party candidate François Mitterrand. At stake is whether France will continue to develop as a nation committed to industrial and intellectual progress in Europe and in the Third World.

The electoral choice has nothing to do with the ostensible right/left, majority/opposition cleavages in French political life. In round two, Socialist Mitterrand could only win by garnering not only all the Communist votes, but also at least a third of the vote cast in the first round for arch-conservative Gaullist candidate Jacques Chirac. For his part, Chirac has committed himself to do everything in his power to unseat Giscard, including assistance to Mitterrand in the runoff. As for Giscard, he would win the election—as he probably will—if the Communists allot him a blank vote of confidence, abstaining in the second round instead of supporting Mitterrand.

On the eve of the 1969 presidential elections, the Young Fabian Society of London published a guidebook addressed to policy-makers, which stated bluntly that no one can understand French politics who believes in the right/left charade. The Fabians—who of course played a leading role in the formation of the European socialist

movement—asserted that the actual split overlapping both majority and opposition is between the proponents of dirigist state policies, called *Colbertistes* after Jean-Baptiste Colbert, the great nation-building industrializer of Louis XIV's reign, and the advocates of local-control, free-enterprise economics.

In the first group, the guide placed Charles de Gaulle, as well as the Communist-run trade-union federation, the CGT, which is the party's major base. They are accurately described as sharing a commitment to advanced science, a strong, centralized state, industrial growth, and opposition to British policies (at that time, notably U.K. entry into the Common Market). On the other side are classed the Socialists and environmentalists, together with leading figures of the majority, such as Jean-Jacques Servan-Schreiber.

These fundamental differences persist today. Moreover, they are found within the Gaullist movement itself, where presidential candidate Michel Debré, a prominent advocate of high-technology capitalist growth, and former prime minister under de Gaulle, opposes Gaullist RPR party candidate Chirac, whose campaign against the "omnipresence of the state" and for free enterprise make him a natural ally of the libertarian Mitterrand.

As a nation, France was built up by the dirigists, from Charlemagne to Louis XI's creation of the first great republic in the mid-15th century. This tradition was

exported to the New World, where, under Hamilton and others, it became known as the American System.

The British failure to crush the American Revolution prompted new, devious means to impose their anti-industrial, colonial policies through the creation of Jacobin movements like the Socialist International. Mitterrand today, with his love of the "natural environment" and abhorrence of nuclear power, holds precisely the views of the British aristocrat fighting American development. Giscard, by contrast, prides himself on a distant kinship with Admiral d'Estaing, a prime associate of General Lafayette in the French army that helped secure the success of the American Revolution.

## Building Europe

Labeled a "monarch" by his opponents, President Giscard has assumed total responsibility for France's foreign policy, in the tradition of de Gaulle. Last week's announcement of a joint Franco-German \$6 billion bond issue marked a new stage in the evolution of the European Monetary System founded by Giscard and his friend Helmut Schmidt in 1978-79. Phase One of the system successfully stabilized the currency markets in the face of extreme dollar turbulence. Phase Two is designed to pull the world out of its economic depression by issuing gold-backed long-term credits both for domestic European programs and large-scale exports to the developing sector, including nuclear energy technology. Giscard above all is proud of the emerging Franco-German "superpower" and of his policy of dialogue with the Soviet Union which, he has stated, has furthered peace and progress.



*Valéry Giscard d'Estaing*

After the runoff, it is believed that a new prime minister will be brought into office, one, it is hoped, without the monetarist proclivities of the current premier, Raymond Barre, who has done a lot to tarnish the real accomplishments of Giscard's administration. Giscard this month announced a program of increased investment in high-technology industries to complete his mammoth nuclear construction program, and indicated that from now on he would take the reins of economic policy.

## The Cheminade factor

The most forceful intellectual and political representative of the Colbertiste tradition in France today is Jacques Cheminade, a close associate of National Democratic Policy Committee advisory board chairman Lyndon H. LaRouche, Jr. The 40-year-old Cheminade has led an eight-month campaign in the elections to

revive the American System of political economy. First Secretary of the small European Labor Party, he has used his training as a state administrator (he is currently on leave from his post in the export division of the finance ministry) and his extensive economic and historical knowledge to work toward influencing both the electoral strategy and the economic policy of the French government.

In many ways, the Cheminade campaign has served as a rudder—small and seemingly not very significant, yet capable of steering a large ship in hidden ways. Certainly the sudden aggressiveness with which Giscard and his associates began to attack the Socialist economic program in the past three weeks, with particular emphasis on the disastrous consequences of a Socialist-proposed moratorium on nuclear construction, were directly inspired by the Cheminade group. And many observers drew a connection between Cheminade, who is the most outspoken enemy of monetarism in France, and Giscard's unprecedented March 10 blast against the "extraordinarily dangerous" monetarist policies of Margaret Thatcher and elements within the Reagan administration. Giscard called the Anglo-American level of interest rates completely unacceptable; his stance consolidated the push for international "interest-rate disarmament" (see Economics).



*Jacques Cheminade*

Cheminade announced on April 2: "I call upon my partisans and friends to vote for Giscard d'Estaing. Three reasons prescribe that choice: his nuclear policy, his conception of détente, and his commitment to fight monetarism. Moreover, he is in the best position to defeat François Mitterrand, whose candidacy poses the gravest and most immediate danger. Under the present circumstances, a Socialist presidency would effectively mean the proliferation of irrationalist anti-state movements and policies, and the annihilation of our energy program, which stands at the foundation of Frenchmen's standard of living and of our policy of national independence. . . .

"There remains for me to add one essential thing. President Giscard will not acquire the means to win and carry out the policies necessary for the interests of France without rallying Frenchmen to great expectations. We must have a policy of rapid growth and highly skilled employment. Frenchmen are ready to mobilize against the financial interests and the Malthusian policy which provoked the crisis. Today Frenchmen demand an offensive strategy. Nothing is more urgent than a program of technological development to ensure harmony of interests between nations."

# The candidates' policy positions

Below is a summary of the major policy positions held by the main candidates running for president in France. The major issues in this election include economic development, nuclear and other energy development, drug legalization, East-West relations, employment, and policies for Middle East peace and development. The positions of current President Valéry Giscard d'Estaing are presented first:

**Nuclear energy:** Giscard favors continuation of world's most important program to develop nuclear energy, under which 80 percent of electricity production will be generated by nuclear power plants by the year 2000. Includes continued development of fast breeder reactor program; overall, calls for 45 percent of total energy production to come from domestically produced resources, compared with 24 percent in 1973.

**Economic development:** improve financial situation of firms to allow for more investment; develop research.

**Employment:** upgrade job skills of youth; reorient aid to the unemployed toward work incentives; encourage departure of immigrant workers; eliminate fiscal obstacles to job creation.

**Drugs:** no position available; under first term in office, has maintained strict laws governing possession of all drugs including marijuana; law banning favorable presentation of drugs by the media, which has led the government to take the weekly *Libération* to court for violation of the law; Giscard has been endorsed by the French Antidrug Coalition.

**East-West relations:** "France is the designated interlocutor of the two great superpowers, the United States and the Soviet Union"; "I have acted for peace, and if I am re-elected I will continue to act for peace"; Giscard favors resuming grain sales to Soviet Union.

**Middle East policy:** strongly opposes Camp David accords between Egypt and Israel; favors global settlement involving Palestinians and PLO; seeking East-West accord to cool out Lebanon.

## Mitterrand's policies

**Nuclear energy:** proposes constitutional reform to enable a nuclear energy referendum to be put on the ballot; a halt to nuclear plant construction until results

of referendum are in; opposes fast breeder reactor.

**Economic development:** boost economic activity through increased consumer goods consumption; decentralize economic planning and development; reduce foreign trade to 20 percent of GNP by 1990.

**On decentralization:** "There is an excess of centralization of the state. . . . The machine became a means to accelerate production under false pretenses . . . and instead of creating new spaces of freedom, a new, more oppressive system was created. . . . The economic system of the 19th century used the machine to crush man. . . . First in the domain of nuclear energy, which is already producing a formidable centralization."

**Employment:** increase hiring in public sector; reduce work week to 35 hours; introduce a fifth week a year of paid vacation time; retirement at 60 years for men, 55 years for women.

**Drugs:** has not come out publicly on the issue; Socialist Party has introduced a bill in the National Assembly calling for decriminalization of marijuana; has been endorsed by Dr. Claude Olivenstein, foremost proponent of decriminalization of all drugs in France.

**East-West relations:** favors closer relations with China; accuses Giscard of being "a paid errand boy" of Moscow.

**Middle East policy:** Mitterrand supports Camp David accord; close to Moshe Dayan faction in Israel; seeks direct French military intervention in Lebanon to set up French "Vietnam."

## Chirac's policies

**Nuclear energy:** give priority to "new energies"; continued development of nuclear program and the fast breeder reactor.

**Economic development:** reduce the "omnipresence" of the state; free enterprise; increased tax deductions for investment.

**Employment:** free enterprise and reduction of regulations governing layoffs will encourage hiring.

**Drugs:** no position available; campaign manager Charles Pasqua was head of parliamentary commission in charge of drug problems at the same time that Pasqua was boss of Jean Venturi, alleged by U.S. authorities to be number-one importer of French heroin into the U.S. during 1960s.

**East-West relations:** "dialogue [with the Soviets] is not an end in itself, when it is destined to fail"; "we must indicate that France would immediately denounce the Helsinki accords, as well as the economic and technological agreements with the Soviet Union" if the Soviets invade Poland.

**Middle East policy:** no explicit statements on Camp David; favors direct French military involvement in Lebanon; report is circulating in private channels that Libya has helped finance Chirac's campaign.

# What makes Jacques Chirac and François Mitterrand run?

by Dana Sloan

During the first round of the French presidential elections on April 26, President Giscard's main challengers are François Mitterrand, leader of the Socialist Party, and Jacques Chirac, the neo-Gaullist mayor of Paris. Mitterrand, so goes the conventional wisdom, is the last great hope of the liberal left; Chirac, the new standard-bearer of conservatism.

But Mitterrand and Chirac have far more in common than their obvious commitment to bring down Giscard in the elections. They are twin expendable assets, one profiled to appeal to the left, the other to the right. They have been set into motion by a cast of characters who for the past 20-odd years have had one obsession: to destroy the political and institutional legacy embodied in the Fifth Republic.



Jacques Chirac

The forces behind Mitterrand and Chirac bear more than a surface resemblance to the coalition that came together after de Gaulle's return to power in 1958, a coalition that crystallized during the early 1960s in and around the OAS (Organisation Armée Secrète—Secret Army Organization). The OAS was a French component of the Permindex-centered drug-running and assassination bureau which, it has been documented, ran the assassination of John F. Kennedy and multiple unsuccessful attempts against the life of de Gaulle. The same elements are now coaching Chirac and Mitterrand.

Relatively informed observers of the French presidential campaign might have been surprised when, two months ago, arch-conservative Gaullist party leader Chirac's leading advisers announced that in the second-round runoff on May 10, Chirac would throw his support to Socialist Mitterrand. In the United States, members of the Socialist International even gloated that Chirac

would become Mitterrand's prime minister if this strategy succeeded. What political differences with Giscard could bring Chirac, who has Giscard's first prime minister, to consider putting Mitterrand into the Elysée?

## Chirac and supporters

Chirac's actions have never been motivated by "political differences"; his opportunism is well known. Chirac's only role in the present campaign is that of political wrecker, to divide the majority that has backed Giscard for the past seven years to make sure that he is not elected to another term. Ironically, it was also as a political wrecker that Chirac first supported Giscard in 1974: to undercut the Gaullist party controlled by de Gaulle's loyalists in preparation for rebuilding it as his own power base.

Chirac's power base is best exemplified by his campaign manager and two leading endorsers of his campaign. One endorsement came from Jacques Médecin, mayor of Nice on the Côte d'Azur, and a defector from Giscard's Republican party. Médecin, who has tried with sparse success to turn Nice into the Las Vegas of Europe, complained that under Giscard's rule there has been less "democracy" in France than in Poland, and declared that Chirac has the kind of "free-enterprise" program that "every mayor in France could support."



Jacques Médecin

What Médecin was really complaining about was that Giscard's interior minister had shut down the casino operated by his long-time associate and friend, Jean-Dominique Frantoni, president of the Casino Ruhl, on charges of evading \$20 million in taxes. For three years, with Médecin's backing, Frantoni had waged a campaign over the dead bodies of members of the rival LeRoux family to

become the city's casino boss. Médecin had also negotiated off and on since 1979 with Morris Shenker, president of the Dunes Corporation of Las Vegas, over bringing Las Vegas money into Nice.

The second revealing endorsement of Chirac came from Georges Bidault, twice foreign minister of France, who was indicted in 1952 for "plotting against the security of the state" as a result of his role in the OAS, and escaped to Brazil. Along with Jacques Soustelle and Antoine Pinay, Bidault was one of the members of the Vincennes Committee formed in 1960 as a government in the wings prepared to bid for power following de Gaulle's assassination. Pinay served as liaison for the "right-wing" Vincennes Committee in the similarly motivated "left-wing" secret conference known as the Déjeuner de l'Alma organized by Pierre Uri, then European director for Lehman Brothers and now Mitterrand's top economic adviser. Bidault, like Soustelle and the other OAS members, was amnestied in 1968 after Mitterrand helped obtain passage of a parliamentary bill granting amnesty for all those involved in crimes against the state during the period leading to Algerian independence.

### The Socialist connection



Gaston Defferre

Chirac's campaign manager, and one of his top controllers, is Charles Pasqua. Author of the Friedmanite book *Free Enterprise, A State of Mind*, the Corsican Pasqua was director of exports for the Marseilles-based liquor company Ricard during the early 1960s, and the boss of under-

world figure Jean Venturi, Ricard's Montreal-based North American importer and distributor, whom American authorities allege was "the principal distributor of French heroin in the United States." Jean Venturi's source of supply was organized by his brother Dominique "Nick" Venturi, who is based in Marseilles, the city run top to bottom by Socialist Gaston Defferre since the end of World War II, when he was first installed as mayor through an alliance between British intelligence-run Resistance groups and the mob. Defferre is still a formidable power broker in the Socialist Party, controlling the powerful southern Bouches du Rhône party federation.

### Mitterrand's career

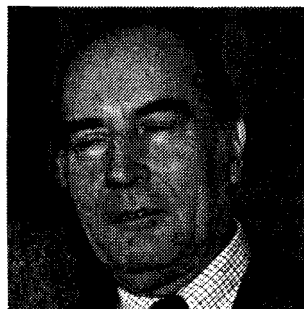
François Mitterrand is a product of the same political machine, except that he is a former "right-winger" recycled into the "left" after de Gaulle took power.

Throughout his political career, Mitterrand's path crosses with Permindex and especially one of its most notorious assets, Jacques Soustelle.

Mitterrand's treachery began during the war, when his escape from a Nazi prison was organized through the intervention of Jacques Doriot, leader of the pro-Nazi Parti Populaire Français, so that Mitterrand could go to work for Marshall Pétain's Prisoners of War Committee. Mitterrand was eventually decorated with Pétain's Francisque medal. Immediately after the war, Mitterrand and Soustelle joined the Democratic and Socialist Union of the Resistance (UDSR), which was devoted to purging Communists from all official agencies. This witch-hunt played a particularly important role in Marseilles, where the police unit known as the CRS (Compagnie Républicaine de Sécurité), which many Communist resistance fighters joined after the war, was heading up the battle against the drug mob and Defferre. The purge of the CRS opened the way for Marseilles to become the heroin refinery of Western Europe.

During the Fourth Republic, Mitterrand was a frequent minister and early champion of the "French Algeria" cause. As interior minister in 1954, Mitterrand's response to the first calls for Algerian independence ("the only possible negotiation is war") won him the support of the colonial diehards. He was also among the first to join the "France-Israel Alliance" parliamentary group set up by Soustelle in 1956. His response to de Gaulle's return in 1958 was the book *The Permanent Coup d'Etat*, in which he termed Gaullism a dictatorship.

It was following de Gaulle's establishment of the Fifth Republic that Mitterrand began his "left turn." One of its components was to make him appear the victim of various right-wing plots. The most extravagant episode was the "Observatoire Gardens Affair," in which Mitterrand organized his own near-assassination in an effort to pin the blame on the Gaullist secret services. So suspicious of the story were members of the parliament that Mitterrand's immunity from investigation was lifted.



François Mitterrand

attempt to turn the trial into an indictment of the

But even after this transformation, Mitterrand continued his favors to the OAS crowd. In 1962, for example, Mitterrand was brought in as a defense witness in the trial of former General Raoul Salan, founder and chief of staff of the OAS. Mitterrand used the witness stand in a brazen attempt to turn the trial into an indictment of the



government, especially its prime minister Michel Debré, whom he accused of involvement in an earlier attempt against General Salan's life. Throughout the period of the OAS's effort to start a civil war in France, Mitterrand was in the wings, waiting for the right moment to make his bid for power.

First, he needed a party.

### Electoral attempts

The old Socialist Party of France, known as the SFIO, had been thoroughly discredited during the course of the Algerian war, and de Gaulle's enemies came up with a strategy for revamping it around the presidential bid of Gaston Defferre. Defferre's campaign was launched in late 1963 in the pages of *L'Express* magazine, published by Defferre's close friend and political cohort, Jean-Jacques Servan-Schreiber. *L'Express* began a series of articles describing the "ideal" candidate against de Gaulle, a candidate referred to only as "Monsieur X." After this charade went on for some time, it was finally revealed to the expectant public that "Monsieur X" was Gaston Defferre.

Although Defferre's effort hit the rocks, by early 1965 it had set the stage for Mitterrand to become the candidate of the left opposition and to replace the old SFIO with the Socialist Party, which Mitterrand now heads. In the runoff between de Gaulle and Mitterrand, Soustelle called on his followers to vote for the Socialist leader.

Now, in his third and last presidential bid, Mitterrand is the rallying point for those who share the aims of depopulation and economic devolution. At a conference of the Socialist International in Paris last month, the founder of the Club of Rome, Aurelio Peccei, expressed his support for the Socialist candidate because, he said, socialists tend not to think in terms of national interest. In line with this, the Socialist Party has introduced a bill into parliament calling for the decriminalization of marijuana. The SP supports euthanasia as a "fundamental law of socialist society." Mitterrand's candidacy has also been endorsed by Dr. Claude Olivienstein, a strong proponent of decriminalization of all drugs in France.

Chirac supporter Philippe Dechartre, notorious for his involvement in real-estate swindles during his tenure as minister of equipment, is preparing to launch a Mitterrand support committee after the first round of the elections, according to the weekly *L'Express*, together with other nominal Gaullists of the same background. Well-placed sources comment that Chirac himself will have to make at least some gesture of support for Giscard before the runoff, lest a dossier on Libyan financing of the Chirac campaign somehow make its way into the press.



## 'Criminologists' run radical organizations

by Jeffrey Steinberg

On Monday April 6, Italian police in Milan scored another major breakthrough in their decade-long war against terrorism with the arrests of Red Brigade leaders Mario Moretti, Enrico Fenzi, and Barbara Belzarani. The 35-year-old Moretti was a founder of the Red Brigades. He has been identified as the leader of the "Roman cell" that carried out the kidnapping and execution of former Premier Aldo Moro in 1978.

While the capture of Moretti is in itself a significant step toward the eradication of the terrorist underground in Italy, another aspect of the arrests has potentially far more profound implications for the unraveling of the command structure over the terrorist international. The broader implications center around Enrico Fenzi, the other member of the Red Brigades "strategic leadership" picked up with Moretti at the Milan train station.

Fenzi is a professor of Italian literature at the University of Genoa. He was first arrested in May 1979 by Gen. Alberto Dalla Chiesa's special antiterrorist unit of the Carabinieri. After being released for lack of evidence, Fenzi was re-indicted last year for the kidnapping of Judge Giovanni D'Urso, a magistrate involved in highly classified antiterrorist work. Fenzi's accomplice in the D'Urso kidnapping was another radical professor, Giovanni Senzani. In addition to being Fenzi's brother-in-law, Senzani was a professor of criminology on the law faculty at the University of Florence. Senzani's public career as a leading radical criminologist and his secret life as a "people's judge" in the terrorist underground were closely intertwined. Italian authorities believe that

*Red Brigades defendants.*

Senzani fingered several top behind-the-scenes antiterrorist investigators for assassination based on his own access to law enforcement and judicial circles, using his credentials as a professor of criminology at one of the most prestigious law schools in Italy.

Far from an isolated case, Senzani now appears to be merely one individual within an international network of radical criminologists trained to be controllers and deployers of terrorists.

The profile of that network begins at the Berkeley campus of the University of California. In 1973, a group of European and American graduate students at the Berkeley School of Criminology established an organization with the innocuous name European Group for the Study of Deviance and Social Control. Giovanni Senzani, according to a highly placed source in Canada, was among the Berkeley students who founded the Euro-Group.

The project was initiated by a British national, Tony Platt, who was a radical professor on the Berkeley faculty. After receiving \$100,000 from the Ford Foundation to profile black youth gangs on Chicago's South Side, Platt became an early-1970s controller of the Black Panther Party, placing one of his Berkeley criminology graduate students as editor of the Black Panther newspaper.

### Deviant sociologists

By the early 1970s, an international collection of radical students had been drawn into the Berkeley criminology school and into its "theoretical journal," *Issues in Criminology*. These include a University of Florence graduate, Margherita Ciacci; a South African now on the faculty of the University of Essex, England, Stanley Cohen; a German national linked to the support networks around the Baader-Meinhof Gang, Karl Schumann; and a University of Florence criminologist, Mario Simondi.

The Berkeley project itself was an outgrowth of a six-year pilot program run in Britain under the direction of the London Tavistock Institute, one of British intelligence's psychological warfare centers. Tavistock author Leslie T. Wilkins, dean of the Berkeley criminology school during the above-cited period, was an initial contributor to the British National Deviancy Conference (NDC). The NDC, like its later Euro-Group and Berkeley spinoffs, sent its legions of radical criminologists into ghetto areas, maximum-security prisons, and university campuses to profile and recruit into terrorist networks. In the case of the National Deviancy Conference, the control relationship with the anarchist left was made explicit by five of the seven founding NDCers publishing their material in the magazine *Anarchy*. The British group, headed by Laurie Taylor, established a string of community fronts in London that would serve as the support apparatus for the Angry Brigades, Brit-

ain's counterpart to the Italian Red Brigades, the American Weathermen, or the West German Baader-Meinhof RAF. Among these NDC fronts are the London Street Commune, a violent squatters' organization; Cas-Con, a revolutionary social workers' group; PROP, a prisoners' union, like the California United Prisoners Union group that spawned the Symbionese Liberation Army; and Red Rat, a group of radical psychiatrists.

### 'We are all deviants'

This group of radical criminologists initiated the Big Lie that terrorism is a "sociological phenomenon." In their case, the purpose of the lie was to cover up their own involvement in the systematic recruitment and deployment of terrorist groups. More broadly, the textbooks on deviant sociology became recruitment manuals for the university social-science students recruited into the Red Brigades and other terrorist gangs. According to Tony Platt, the Oxford-trained sponsor of the European Group for the Study of Deviance and Social Control, "A human rights definition of crime frees us to examine imperialism, racism, sexism, exploitation, and other political economic systems which contribute to human misery. . . . The solution to crime lies in revolutionary transformation of society and elimination of the structural causes of human misery in the world." In other words, terrorism of the sort conducted by the Red Brigades or the Baader-Meinhof Gang, is the only way to stop crime.

### Investigative Leads

A twice-monthly intelligence report published by the *Executive Intelligence Review* to provide a flow of dependable information in the fields of terrorism, illegal drugs, and organized crime.

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## Economic growth wins in Quebec

by Dr. Pierre Beaudry

The April 24 landslide victory of the Parti Québécois in the Quebec provincial elections demonstrates the will of the French-Canadian population to reject "laissez-faire" economics and vote for a program of growth.

Less than a year ago, the fiery French-Canadian premier of Quebec, René Levesque, had lost his bid by referendum for the creation of a Sovereign Association status for the province. This failure to rally his fellow citizens has now been turned around. The April 14 results gave the PQ 80 seats against 42 seats for the Liberal party and none for the National Union Party. The PQ picked up significant support from the non-Francophone voters.

At the opening of his electoral campaign March 13, Prime Minister Levesque launched a strong attack on the Liberal Party's promotion of free enterprise economics to put through austerity. Levesque was replicating an attack earlier last month by French President Giscard on the economic disease of monetarism in his campaign for the presidency of France.

In early March, high-level ministerial officials in the PQ government began public discussions over the fact that the zero-growth birth rate in Quebec will mean that Quebec would have to import labor in 20 years.

Also in the first week of March, an economic summit was held between the PQ government and the administration of the City of Montreal along with other mayors and officials of the Montreal Urban Community, including the cities of Laval and Longueuil, and the North and South Shore communities. Notably, the federal government in Ottawa was excluded from the discussions.

The week-long conference drew up a plan to massively expand the port facilities from Montreal to Quebec City to Sept-Iles City. These three St. Lawrence River superports would provide Atlantic export facilities for industrial and agricultural output from the U.S. Midwest and Canada's prairie provinces of Alberta, Saskatchewan, and Manitoba. Reports from officials in Quebec City indicated that they were viewing the Great Lakes and the St. Lawrence Seaway as the major channels of transportation for grain and coal, especially to Europe, over the next decade. The Quebec government suggested

building 100 cargo boats for the St. Lawrence Seaway which would transfer their loads to oceangoing vessels at the superports.

Coupled with the port expansion program, which proposes removal of all federal government control over the port of Montreal, were plans for:

- the renovation of industrial parks in Montreal;
- the building of a major biomedical engineering research facility in the City of Laval, to be coupled with a Louis Pasteur Institute of France;
- the development of a regional and municipal mass transit system throughout the Montreal area—already approved with an investment of about 1.5 billion Canadian dollars, including the completion of the Montreal subway system, suburban transit-rail links, and the building of a high-speed line from Montreal to Mirabel International Airport;
- government financing of 50 to 75 percent of new, high-technology industries across the province;
- government funding of low-interest home loans up to \$10,000.

In a speech he gave in the city of Three-Rivers on March 20, Levesque emphasized the importance of government financing of new industries stating that "the governments of France, West Germany, Japan are all talking about research and development, are all making investments in R&D. Now, we in Quebec are only 6 million people, we may not all do basic research, but we have brains and what we are saying is that R&D is the direction we should go." In an interview with the *Montreal Gazette* newspaper in early April, Levesque said, "We think also that when there is something like the worst recession in the Western world, there was no reason to retrench the spending power for people. It is part of the necessary impetus you have to give to economic development when things are not going so well all over, that you don't compress peoples' spending power."

Perhaps the greatest weakness in the PQ program stems from its pandering to an antinuclear line fed from its own left wing. In fact the federally controlled Atomic Energy of Canada, Ltd. (AECL) has sabotaged progress on the three plants in Quebec, and refuses to give it the Candu reactor plan, because AECL representatives say the province may give it to the French government.

### Beyond separatism

John Buchanan, prime minister of Nova Scotia, emphasized that Levesque won the elections on the basis of his economic opposition to the Trudeau policies. Minimally, this indicates the potential for a wider Canada fight against zero growth and Trudeau's constitutional reform proposal that would institutionalize Ottawa's no-growth policies by removing economic powers from the provinces. Voter response in Quebec is thus a signal that such support can be mobilized throughout the other provinces.

## **An alliance in the Caribbean?**

*Mexico has rebuffed Venezuela's diplomatic package, but a joint oil pact was strengthened.*

**P**resident Luis Herrera Campins of Venezuela paid a visit to this capital over the first week of April to meet with President José López Portillo. Given the two countries' prominent position as the hemisphere's oil giants and their increasing political and economic influence in the troubled area of Central America and the Caribbean, the meetings got wide coverage both here and in Caracas.

Judging from statements made by President Herrera and from the joint communiqué, it is clear that the Venezuelans are making a move to lock Mexico into a special version of "regional" approach to crucial problems in the Caribbean area, such as oil supplies and the bloody El Salvador situation.

Mexico has repeatedly rejected the kind of regionalism being promoted by Venezuela's Christian Democratic government on the basis that it would pull the continent away from joining forces with advanced-sector nations in pursuit of a worldwide economic recovery. The Venezuelan "regional" approach has also irked the Mexicans' sense of commitment to full principles of national sovereignty.

This time the Venezuelan government came to Mexico City retooled with an "anti-imperialist" rhetoric to which some officials here, especially in the foreign ministry, are known to be very *aficionado*.

President Herrera, who in the

past has portrayed himself as anti-Soviet, told the press that Latin America should form a bloc to counter the "other imperial" bloc, the United States, "because we are still weak countries."

While thumping for "Latin America for the Latin Americans," the Christian Democratic president nonetheless used his stay in Mexico City to meet with Klaus Lindenberg, a personal aide to Socialist International chief Willy Brandt.

In their final communiqué, Mexico and Venezuela committed themselves to strengthen the San José Accord, an arrangement to supply oil to poorer countries of the area on preferential terms. Haiti and Belize (which is set to get independence from Britain later this year) were added to the list of beneficiaries. Other countries already in the deal include El Salvador, Nicaragua, Panama, Costa Rica, and the Dominican Republic.

Both countries will also do feasibility studies to build a refinery in the Caribbean to process crude oil.

Although President López Portillo repeatedly said he sees this accord as a model of reasonable economic solutions for the ravaged area, the deal forces Mexico to coordinate with Venezuela on energy policy, an area which Mexico has always preserved as a purely national question. The deal corresponds in effect to the Brandt Commission's calls on the South to form regional defensive pacts against the North. The Herrera government

has in fact pursued two equally bad tracks simultaneously: The Brandt Commission approach, and Anglo-American schemes to turn Latin America into a strategic fuel and minerals reserve controlled from London and New York for international financial warfare.

The Mexicans have shown an "Achilles heel"; nonetheless, contrary to U.S. press reports, President López Portillo clearly drew a line on extending the oil pact into a political pact, particularly in terms of Central America. Reading the *New York Times* accounts of the meetings, I was once again appalled at seeing the kind of lies their correspondent here, Alan Riding, pours into that paper. In an April 9 article, Riding quotes some of his friends in the foreign ministry to say that Mexico and Venezuela had "offered their *joint* good offices to help find a settlement to the bloody dispute" in El Salvador—my emphasis.

I went to review Mr. López Portillo's statements and the final communiqué's provisions on El Salvador, and I found that once again Riding had put in the Mexicans' mouth the policies that he himself has been promoting.

In fact the final communiqué includes Mexico's insistence that there be no "foreign intervention" in El Salvador and never mentions any "joint" Venezuelan-Mexican mediation there.

Despite their increased commitment to the San José Accord, government sources here continue to signal their mistrust of Venezuelan intentions. Venezuela's disappointment was expressed this week by an editorial in *Diario de Caracas* complaining, "Mexico does not view itself as a Latin American nation."

## Haig tries to hike oil prices

*His sabotage of the French move for peace in Lebanon could cut supplies from the Gulf.*

**J**ust when Saudi Arabia is taking steps to put an end to the oil price spiral, Secretary of State Haig has stepped in to fan the flames of a Middle East crisis over Lebanon which could result in a new oil price explosion.

Haig personally intervened during his mid-April visit to Paris, to undermine an initiative by President Giscard to stabilize Lebanon, which is currently threatening to explode in a new civil war. All-out civil war in Lebanon could escalate into war between Israel and Syria—both are heavily involved in the present Lebanese crisis—and a new 1973-style “oil shock.”

Haig's friends at the Trilateral Commission, which earlier this month called for a doubling of oil prices, are clearly worried about the May 25 price-setting meeting of OPEC. Without a major Mideast crisis before that date, the Saudis may succeed in imposing price moderation on OPEC price hawks.

Saudi Arabia has maintained a record oil production of nearly 2 million barrels a day over its official production ceiling of 8.5 million in order to flood the depressed world oil market and force OPEC and non-OPEC producers to align their prices with Saudi oil, the lowest priced crude in the cartel at \$32 a barrel.

In the last week the Saudi objective has begun to be realized. Ecuador, an OPEC producer, and Mexico, a non-OPEC producer, announced a \$2 a barrel drop in the

prices of certain grades of contracted crude. But the prime targets for Riyadh are the OPEC price hawks, who earlier this year jacked their prices to as high as \$41 a barrel. Kuwait, Nigeria, Libya, and Algeria are reported to have quietly reduced or eliminated surcharges, and oil companies are refusing to buy oil from Nigeria and Kuwait unless their prices come down.

Should the Saudi oil initiative succeed, it would provide a healthy stimulus to a world economy weakened by the tripling of oil prices during the past three years.

The Trilateral Commission this month released a Mideast policy document calling for a \$60 a barrel oil price. But, as a CFR insider recently observed, “The only way you can keep oil prices climbing in a period of lowered consumption is through repeated crises, which are called ‘oil shocks.’”

A second civil war in Lebanon could produce such a shock. There is a greater likelihood of an Israeli invasion to defend Lebanon's Falange against Syrian troops.

Haig and National Security Adviser Richard Allen have publicly voiced their support for the Israeli-Falange axis against Syria, and are said to favor partitioning Lebanon into sectarian ministates.

However, France has conducted quiet diplomacy to reach an agreement with the Arab world, the U.S.S.R., and certain European countries to deploy a multinational force into Lebanon to ensure its

continued unity.

During a Paris press conference following a meeting with French Foreign Minister Jean François-Poncet, Haig declared his support for the French initiative. By making the sensitive, behind-the-scenes French diplomacy public and by associating it with his noisy backing of the Israelis in Lebanon, “Haig doomed the effort,” according to a French source. “Neither the Arabs nor Moscow would then touch it.”

The eruption of a war over Lebanon would trigger a wave of Palestinian extremism which a well-informed U.S. Defense Department source fears “will culminate in terrorism in the Gulf.” And Johns Hopkins University Prof. Fuad Ajami, an insider with the more radical Palestinians, has predicted that Palestinian terrorists would “make a show of force” in Kuwait.

The first Palestine National Council Meeting in two years convened last week in Damascus, Syria with a flurry of unusually hardline statements against Washington. The normally moderate political chief of the PLO, Farouk Kaddoumi, warned that the “PLO will attack American interests all over the world if Washington goes ahead with apparent plans to launch an offensive against the Palestine organization and its allies.”

An Arab source concluded that such instability “is ultimately aimed at one country and that is Saudi Arabia. You have a crisis in Lebanon today, but it could happen in Saudi Arabia. There will be some assault on the monarchy there by radicals who will be Soviet directed in cooperation with Britain.” This is what “I'm afraid Haig and his friends are leading us toward.”

# International Intelligence

## ***Bonn looks to Euromissile talks***

Lothar Ruehl, a spokesman for the West German government, declared after an April 15 meeting of the federal cabinet that the government sees no reason to delay arms control negotiations on medium-range nuclear missiles in Europe. Ruehl's statement came in response to the insistence by U.S. Defense Secretary Weinberger at the recent NATO Nuclear Planning Group meeting that negotiations could not proceed until the Soviet Union pulls back its military threat to Poland.

Bonn's view, Ruehl said, is that negotiations are "obviously possible," and that NATO is committed by its 1979 Euromissile decision to work for arms control. The NATO decision makes no mention of Poland, he added, and furthermore, arms control negotiations are not the province of defense ministers.

## ***LaRouche issues NDCP statement on Lebanon***

A major policy statement on the crisis in Lebanon was issued April 15 by *EIR* founder Lyndon H. LaRouche, Jr., advisory committee chairman of the National Democratic Policy Committee. The 1980 presidential bid of LaRouche drew considerable support from prominent Lebanese-Americans.

Entitled "Emergency U.S. Policy Toward the Endangered Nation of Lebanon," the statement begins by noting that because both he and President Reagan had that electoral support, they are "obliged to take a course of action which represents efficient justice" for Lebanon. LaRouche charges Henry Kissinger and "elements of the U.S. State Department" with pursuing a policy "most charitably described as inept in conception and bloodily immoral in consequences."

Lebanon must be reestablished as "a

totally sovereign multireligious state," within borders restored to their status before the mid-1970s civil war, and provided with an economic development package. "The spheres of influence of both Syria and Israel must be terminated. *No foreign nation has any rights within those borders,*" especially Syria's Assad and Israel's Begin, who want an "expedient" crisis to shore up their internal situations. The statement concludes with a nine-point outline of how to carry out this policy, including the "workable creation of a new Palestinian state."

## ***Polish Party targeted to split***

Since a general strike was averted in Poland last month, factional strife inside the Polish Communist Party has emerged as the next catalyst for crisis there. Sources close to the New York-based Freedom House and Great Britain's Arts Council, institutions which coordinated the 1980 destabilization of Poland, point to a spillover from the Solidarity trade unions into the party; an estimated one-third of party members are also in the union.

"Horizontal links" between Solidarity and the party in various locales, these sources predict, would lead to "rank-and-file revolt" against the party's national leadership bodies.

## ***Islamic fundamentalists receive fresh boost***

A meeting on "Revivalism, Communalism, Nationalism, and Islam" brought together key Islamicists on April 6-10 at the Rockefeller estate, Villa Serbelloni, in Bellagio, Italy, including Richard Cotnam, a former CIA operative instrumental in bringing Khomeini to power, and Tahsin Basheer, an Aspen Institute protégé and Egyptian diplomat.

On April 10-12, the Ditchley Foundation held a conference on "The Resurgence of Islam." According to James Bill, a Council on Foreign Relations partisan of Khomeini who helped advise the State Department on how to overthrow the Shah, participants concluded that "Khomeini will be around a lot longer than anyone originally expected," and "nothing can be done to change the situation in Iran unless Khomeini dies." Professor Bill was joined by Marvin Zonis and Katherine A. Bateson, fellow operatives in deposing the Shah, and by *Le Monde* journalist Eric Rouleau, the chief European apologist for Khomeini.

Two weeks before Easter, the Georgetown University Contemporary Arab Studies Department sponsored a two-day conference on Mideast economics, at which Arab League consultant Youssef Sayigh began by inviting attendees to "come to the Middle East and participate in the creative destruction we are now involved in." Privately, he expressed admiration for Khomeini. He was followed by Georgetown's in-house Palestinian radical Hisham Charabi, who predicted that "the rest of the Middle East will now experience the kind of events that formerly happened in Iran."

## ***U.N. holds conference on African refugees***

A special April 9-10 U.N. conference on African refugees in Geneva pledged \$560 million, half the total pegged by the U.N.'s High Commission on Refugees (UNHCR). The Reagan administration pledged \$285 million over two years in an effort to improve African relations, but \$126.5 million of the total was specifically designated for the UNHCR and the International Red Cross—two institutions not highly esteemed in Africa.

The remaining U.S. disbursements at what was described as "a grim charity bazaar" were \$80.7 million for food, \$65 million for refugee resettlement within Africa, and \$11.5 million for settlement

of African refugees in the U.S., covering only 8,300 people over two years.

### ***Savage repression mounts in Zia's Pakistan***

As Pakistan's foreign minister prepared to visit Washington, the Zia regime stepped up its effort to eliminate its political opponents, above all the family of the murdered prime minister Z. A. Bhutto. Mrs. Bhutto is currently being held in jail in Karachi in a section reserved for prostitutes. Daughter Benazir is also in prison. One Pakistani activist in the U.S. reports that three of his own family, including two women, were raided in their home by a special military unit that brutally beat the women and carried the man, a former state legislator, to jail with no charges. Such incidents are now reported all over Pakistan.

The two Bhutto sons, who are outside the country, continue to be targeted as well. The eldest was convicted in secret session by a rigged military tribunal, which announced April 14 that if he does not appear before the court all the family property will be confiscated. Pakistani sources in London report that five or six commando squads are presently at large, seeking either to kill the two sons or kidnap them.

Meanwhile the Zia regime reportedly seeks a new security pact with the U.S. that would be expanded to formally cover the case of an India-Pakistan war.

### ***U.S. southern Africa policy hit***

The presidents of six black southern Africa countries attacked U.S. policies in southern Africa at a summit in Luanda, Angola April 16. The summit, held on the eve of the arrival in Luanda of U.S. Assistant Secretary of State-designate Chester Crocker, announced that at-

tempts to force the Angolan government to accept the South African-backed rebel group UNITA into the Angolan government are a "flagrant interference" into Angola's affairs. The summit "denounced actions by the Reagan administration to destabilize" Angola.

Crocker is conducting an 11-nation tour of Africa to relaunch negotiations for the independence of Namibia. An earlier U.N. plan was torpedoed in January by South Africa, and Crocker is pushing an alternative approach which would determine a constitution for Namibia prior to elections there, an approach to the liking of South Africa.

African sources have indicated that Crocker's approach to the Namibia question is based on reaching a broader-based regional settlement that would include integration of the UNITA rebels into the Angola government.

### ***Italian spokesman wants Arab fusion research***

The president of Italy's National Commission on Nuclear Energy (CNEN), Umberto Colombo, called this month for the creation of a nuclear fusion research center in the Arab world.

"Nuclear fusion is perhaps the most ambitious technology now being developed in advanced countries," Colombo told representatives at an 18-nation seminar on "Development through Cooperation." He continued, "Despite this complexity, one should explore the possibility of creating in the OPEC sphere a research institution on nuclear fusion that would become a center of competence, and whose programs could be geared with the overall world strategy of harnessing the energy from fusion of nuclei. Obviously, such an undertaking would require strong cooperation with consumer countries, particularly with the European Community." Fission-powered electrical generation, he added, should be especially promoted among heavily populated OPEC nations.

## ***Briefly***

● **PEKING** has made an international appeal for food aid to relieve shortages in Hubei and Hebei provinces. According to the World Health Organization, floods and drought, respectively, have left 43 million Chinese in the two provinces with a daily per capita nutritional level of 1,400 calories.

● **SUTIN**, the state nuclear employees' union of Mexico, will hold an April 30 demonstration in Michoacán to support the buildup of the nation's nuclear energy research and production.

● **THE JUSOS**, West Germany's Social Democratic youth group, have sent a delegation to the U.S.S.R. in response to an invitation to build up the "peace movement." The leftists from both nations are targeting Chancellor Schmidt as a militarist at a time when Schmidt and Brezhnev are about to consolidate German-Soviet economic cooperation.

● **LONDON** rioting, according to intelligence sources, seems to have been triggered by outside provocateurs. Within minutes of its start, weapons and molotov cocktails were available in abundance. The BBC—paralleling its 1978-79 "predictions" on Iran—said that rioting would occur over an hour before it began. The Institute for Race Relations in the U.K. is extremely active in the heavily West Indian neighborhood where the rioting occurred, and is connected to the Fabian-controlled Institute for Policy Studies in the U.S.

● **AN ISRAELI** military spokesman, whose name was not released, held an April 15 press conference at which he stated that Israel is aiding Falangist militia units not only in the south of Lebanon, but in Beirut and other points north. This unprecedented confirmation was timed to upset delicate peace negotiations between Syria and the Falange.

## Impasse in Washington: what next for Reagan?

by Kathleen Murphy

In the aftermath of the attempted assassination of President Reagan, it has become increasingly evident that the new administration is moving deeper and deeper into a dangerous policy vacuum.

Although the attempt on Reagan's life and his subsequent forced absence from day-to-day decision-making have contributed to the "on hold" situation prevailing in Washington, the shooting incident simply accelerated a tendency toward drift that had already been well established.

Except for the budget/tax program—which is rapidly turning into a massive political and economic trap for the President—the administration has so far been unable to carve out a clearly defined, viable strategy for the nation's economy, foreign relations, or defense. Instead, bitter wrangling among administration officials, and outright sabotage of the President by some of them, is quickly devolving into chaos and policy paralysis—a development gleefully predicted by the Socialist International at its strategy conference in Washington last December.

### Appointments in limbo

One of the most telling indications of the policy vacuum is the status of subcabinet appointments in the key federal departments. Although the Reagan administration has been in power for close to three months, many important posts either have not been filled or nominees to them are being held up by an unusually

prolonged confirmation process. As of this writing, the following picture holds:

- **Department of State:** Out of 14 assistant and undersecretary positions to which Reagan has named new people, only one, James Buckley, has received Senate confirmation. The others, including assistant secretaries for Africa, Asia, the Middle East, and Latin America are being held up in the Senate. The ambassadorial situation is even grimmer: out of about 100 posts, only four nominees have been named, and only one Ambassador to the United Kingdom John Louis, has actually won Senate approval. No nominations have been made for such vital ambassadorial posts as West Germany, France, Saudi Arabia, or the Soviet Union.

- **Department of Defense:** Only 8 out of the 30 subsecretary-level officials have been appointed.

- **Department of Justice:** Of approximately 200 posts requiring Senate approval, only 12 nominations have been made, and of these, only 6 officials have been confirmed. Nominations have not been made for such important posts as solicitor general and assistant secretaries for civil rights and civil affairs.

- **Department of Agriculture:** Out of the 10 top posts, only 5 nominees have received Senate approval.

- **Department of Interior:** Only Secretary Watt and Deputy Secretary Hodel have been appointed; both have been confirmed.

- **Department of Energy:** Secretary Edwards is the sole confirmed individual here.



• **Department of Labor:** Out of approximately 30 posts requiring Senate approval, 6 have been filled.

This dearth of top-level appointees is a direct result of the still unresolved policy split within the administration which pits Global 2000 advocates such as Federal Reserve Chairman Paul Volcker, Budget Director David Stockman, and Secretary of State Alexander Haig against supporters of U.S. industrial development, including Interior Secretary James Watt and Agriculture Secretary John Block. Although President Reagan was elected precisely because he campaigned against the "less is more" nostrums of Jimmy Carter, he has not yet come down decisively on the side of the anti-Global 2000 faction of his administration. Until he does, the policy drift will intensify, and the President will be hard pressed to avoid the political traps now being set.

### **The budget trap**

Chief among those traps is the question of the budget and the broader issue of the U.S. economy. Reagan has pinned the future of his administration on securing congressional passage of a budget and tax program that was sold to him under the guise of "free enterprise" and economic growth. In fact, as contrived by Stockman and the supply-side crew in the administration, the program will accelerate the country's slide into the Global 2000 gameplan for depopulation and deindustrialization. Already, the budget cuts are hurting some of Reagan's most important blocs of supporters, including the farm community, and threatening to break apart the alliance he had begun to cement with labor and minorities. This fissuring process will rapidly intensify as the effects of the budget program—assuming it is implemented—are felt across the country.

In this context, it should be noted that the few federal departments which were fully staffed early in the administration were Treasury and OMB—the two key government branches, along with the Fed, that have been key in formulating the President's economic program.

Unfortunately, Capitol Hill is caught up in the same budget-cutting frenzy as the administration. The budget debate is being carried out within the framework of "who can out-cut whom," and even the most liberal Democrats are vying with conservative Republicans to prove they are as austerity-minded as the other. Because of the Easter recess and several unexpected committee votes against the Reagan budget plan two weeks ago, the entire budget process threatens to extend far beyond its original timetable. This means that crucial economic issues that must be addressed now, especially the Volcker policies, will probably be delayed indefinitely.

At the same time, there is considerable speculation that even if the budget issue is resolved by early summer, the tax issue may drag on much longer, and

could lead to an irreparable split between the President and the key congressional Democrats with whom he has sought bipartisan agreement.

In the international sphere, Reagan's failure to deal with the Volcker issue is threatening to bring about a major split between the U.S. and its West European allies (see Economics). West German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing in particular, who strongly oppose the Fed's high interest-rate policies, have put the issue on the top of the agenda for the upcoming Ottawa industrial nations' summit. Thanks to the deliberate sabotage by Stockman and other Reagan economic advisers, the administration is still allowing the Fed chairman to run amok.

### **The way out**

Although the picture is bleak, it is by no means hopeless. Reagan's instincts run in the right direction: he doesn't believe in austerity or limits to growth, and he backs the Stockman budget only because he incorrectly believes that it will lead to an economic renaissance.

There are two related issues now assuming prominence that could provide the impetus for Reagan to dump the Global 2000 moles from his administration. These are the space program and the military.

The successful launching of the Space Shuttle Columbia has once again thrown into sharp relief the importance of American scientific research and development and precipitated widespread public support for increased government funding of the space program. In its wake, several prominent members of Congress have called for restoring Stockman's proposed cuts in the NASA budget, and others, such as former astronaut Harrison Schmitt, now a U.S. senator from Arizona, is urging a massive stepup in the American space program.

On the military front, support is building in the defense community for the development of a sophisticated space-based laser antiballistic missile (ABM) system, which would require substantial government investment in high-energy physics and other advanced R&D programs.

President Reagan is known to look favorably on both programs. But to develop them adequately, it will be necessary to rebuild America's industrial base and to mandate massive government promotion of advanced technology. This cannot be done if Volcker is permitted to control the country's monetary policy and the Global 2000 crowd remains in the Reagan administration.

On the other hand, if Reagan opts for the rapid-growth perspective embodied in both the Space Shuttle and ABM programs, the benefits—both economic and political—will be immeasurable.

# Immigration policy: a new start for U.S.-Mexico relations?

by Dennis Small

The assassination attempt against President Reagan has made it impossible to hold the López Portillo-Reagan summit meeting, planned for April 27, in San Diego and La Paz. Over the past week, however, both the U.S. and Mexican governments have given signals of good will and underlined once more the importance they place on the summit talks. Mexico's foreign minister stated on April 14 that President López Portillo is willing to travel to Washington on the scheduled date, if that would best suit the convalescent American President. And a White House spokesman also left the door open to a late-April meeting in Washington.

The agenda for the summit, like the date and place, is

up in the air as of this writing. The best indication of what should be expected came from the head of the Mexican House of Representatives, Luis Farfás, who told the press last week that he was "terribly interested" in the outcome of the meeting, and declared that the two principal agenda items would be bilateral trade and migrant labor.

Regarding the first item, what is notable is the Mexican emphasis on *bilateral* accords with the United States, possibly including the oil-for-technology framework outlined by *EIR* founder Lyndon H. LaRouche, Jr., as opposed to the *multilateral* proposals, such as the North American Common Market or Accord, being foolishly

## LaRouche talks about the Mexico potential

*The following remarks were made by NDPC Advisory Board Chairman Lyndon H. LaRouche, in response to a question put to him on March 19, 1981 at a conference in Washington, D.C. on U.S.-Mexico relations.*

I support entirely the legislation sponsored by Sen. Harrison Schmitt, which would provide a visa to all undocumented workers who wanted to come over and work. I would also support, however, the aspiration of our law enforcement officers [to] increase our border patrol and other authorizations to control the gun-smuggling, the terrorists, and the drug traffic between the two countries. It is a problem for both countries—for the Mexicans, who are just as desirous of controlling these problems as we are, and perhaps more so.

Therefore, we should increase the intelligence and law enforcement capabilities against categories of criminality at the same time that we open the door.

This is most probably the area that President

Reagan will have the least differences with President López Portillo. They are both just as concerned as I am with the human rights of the individual Mexican who has come here because our employers want them. I don't want them ripped off, robbed and so on, while they are here, just because they are here illegally.

I would seek to set a precedent with the Mexican president on one clearly defined area, and then work with him to determine what is comparable to and not comparable to it in other areas. I wouldn't try to bite off too much at this time. . . .

Nationals from other countries who come here to work should have the right to legal constitutional protection while they are in this country.

Therefore, so long as an adequate consular program is set up to work with the soon-to-be documented workers, we can deal with that area satisfactorily.

The other thing we have to do is set up a policy perception of how we will deal with overall bilateral relations. We are putting the first brick in there, and trying to add an amendment onto the Schmitt bill concerning increased support for Mexico on other questions. But don't make the first issue too complicated so that we lose all we seek in a morass of complications.

floated by administration officials like Reagan adviser Richard Allen and others.

On the migrant labor question, in recent weeks there has been motion in the United States, particularly in Congress, to put together a viable package that the Mexicans will also find acceptable. This point could well be one of the first on which the two heads of state are able to reach substantive agreement.

There is, however, a tremendous difference in approach between the various proposals thus far put forward. The most provocative one comes from the Hesburgh Commission established by President Carter in 1978, whose modified legislative version was submitted to Congress by Sen. Walter Huddleston, a Kentucky Democrat. The premise of this approach is that the United States is in irreversible economic decline, lacking in resources, and therefore unable to maintain its traditional policy of welcoming immigrants into the American "melting pot." The Hesburgh proposals are coherent with—and in some respects actually drafted by—the authors and proponents of the Malthusian *Global 2000 Report*.

A second group of proposals goes at the problem from the opposite standpoint: that Mexico is our friend and ally, that we must aid its economic development, and that it is in America's national interest to establish some kind of "guest-worker" program for Mexican migrant labor in the United States.

A task force composed of the secretaries of Justice, State, Health and Human Services, and Labor is expected to issue a formal recommendation some time in May, but everything indicates that President Reagan favors the latter approach.

In a recent interview with CBS's Walter Cronkite, Reagan said, "Remember that Mexico is our neighbor and friend, and that it has a very high rate of unemployment. If we close the border, we will obstruct the only escape valve, which we call illegal immigration. If we close off that escape valve we could destabilize Mexico, and in any case it's not in our own interests."

The two "guest-worker" bills now before Congress, one sponsored by Republican Sen. Harrison Schmitt of New Mexico, the other by California's Sen. S. I. Hayakawa, share this orientation and are very similar in other respects. Both senators are politically close to Reagan and to Reagan intimates like Sen. Paul Laxalt, a Nevada Republican.

The shortcomings and inadequacies in these two bills are addressed in a detailed evaluation and policy proposal issued by the National Democratic Policy Committee (NDPC), whose advisory board is chaired by Lyndon LaRouche. We reprint the entire NDPC document below, along with a summary of the various proposals dealing with the labor question.

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## NDPC PROPOSAL

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# 'No migrant law will work without a growth approach'

*The following policy statement on immigration was released on April 13 by the National Democratic Policy Committee.*

With the second summit meeting between Mexican President José López Portillo and U.S. President Ronald Reagan on the agenda for later in the spring of this year, the issue of immigration into the United States—and in particular of undocumented workers—is receiving important attention from legislators in Washington, D.C. and the public at large.

This long-standing bone of contention between the U.S. and Mexico actually offers the opportunity to take a long step in the direction of establishing an overall positive bilateral relationship with our neighbor to the south, which—centered on cooperation for the rapid, high-technology industrialization of both countries—can serve as a model for North-South relations as a whole. It is toward this end that the National Democratic Policy Committee (NDPC) has elaborated the following policy proposal.

### **The constitutional question**

At the heart of the immigration issue is nothing less than the constitutional purpose for which our nation was founded. As established by our Founding Fathers in the Constitution, America was created as a temple of liberty committed to the continuous industrial progress of its people. We not only welcomed the world's "tired, poor, and hungry" to American shores; we quickly absorbed them into the mainstream of our booming economy, an economy which they in turn helped develop through their applied skills.

There isn't an American today who isn't the descendant of an immigrant from one country or another. This "melting pot" approach—premised on a constantly growing economy—is the American way.

That this is in fact the central issue of immigration policy is recognized by the bills on the matter now before the U.S. Senate. The one submitted by Sen. Harrison Schmitt (R-N.M.) proposes that this tradition should be maintained, and for that reason the NDPC endorses it with certain proposed amendments included.

A second, submitted on March 24, 1981 by Sen. Walter Huddleston (D-Ky.), would explicitly reverse America's traditional immigration policy on the indefensible grounds of a supposed "resource scarcity" in the United States. The Huddleston bill (S. 776, the "Immigration and National Security Act of 1981"), is surprisingly explicit on this point:

(1) immigrants have played an historic role in populating the United States, developing commerce and industry, making cultural contributions, and otherwise enriching the United States; and (2) at present the United States is no longer receptive to unlimited and uncontrolled immigration because the United States is fully settled, confronted by resource shortages in many areas, and completely committed to advancing the quality of life of its own disadvantaged citizens.

(b) It is the policy of the United States to mediate between a traditional hospitality toward immigrants and the restraints imposed by resource limitations and by an expanding population, by maintaining a policy of limited and controlled immigration.

This thinking is identical to that of the Select Commission on Immigration and Refugee Policy, set up by President Carter in October 1978 under the guiding hand of Father Theodore Hesburgh—chairman of the Rockefeller Foundation, a director of the New York Council on Foreign Relations, and chairman of the Overseas Development Council. The Hesburgh report says: "We [are] faced with the reality of limitations on immigration. . . . The United States cannot become a land of unlimited immigration. As important as immigration has been and remains to our country, it is no longer possible to say, as George Washington did, that we welcome all of the oppressed of the world."

Thus, the guiding assumption of both the Hesburgh Report and the Huddleston bill is that the Era of Progress is over for America, and that we have to tighten our belts and adjust to British-style economic contraction.

It is not surprising that, on such premises, the Huddleston bill proposes a series of odious and unacceptable measures designed to cut off immigration. These measures include:

1) The establishment of a national identity card, which *all* workers—Americans and foreigners alike—

would have to present for computer clearance before being hired. Many political groups have correctly rejected this measure as a dangerous step towards a Nazi-like national police state.

2) Sanctions against employees who hire undocumented foreigners, consisting of \$1,000 fines per illegal employee. This would simply induce employers to preventively discriminate against *all* prospective employees of Hispanic origin, without seriously affecting the immigration question.

3) Limit total immigration to the U.S. to 350,000 per year. In 1980, legal immigration totalled over 800,000.

4) The Huddleston bill tries to sugar-coat these proposals in a way designed to appeal to those seriously concerned with law enforcement, by calling for a significant increase of the border patrol, in terms both of staffing and equipment. In the context of the economic collapse in both Mexico and the U.S. foreseen by the bill, such measures will at best degenerate into police repression designed to enforce an untenable economic situation.

### The 'Paddock Plan'

Yet, an even greater evil than this lurks behind the Huddleston bill. Whether Senator Huddleston himself is aware of it or not, the fact is that his bill is nothing but the legislative version of a policy long espoused by State Department adviser and agricultural specialist William Paddock, a policy known as the "Paddock Plan." The Paddock Plan was first brought to national attention in 1976, when NDPC Advisory Board Chairman Lyndon LaRouche denounced it on nationwide television as "genocidal"—a reference to Paddock's own candid call for reducing Mexico's population by half by the end of the century.

The Huddleston/Paddock approach is itself only the immigration component of the broader Global 2000 policy document drafted by the Carter administration, which calls for reducing the *world's* population by 2 billion from the projected 6.5 billion by the year 2000.

The Paddock/Global 2000 connection to the Huddleston bill is unequivocal. Huddleston's key staffer responsible for the bill is Roger LeMaster, who has personally stated that the ideas for the bill were developed in close cooperation with Zero Population Growth (ZPG), the Environmental Fund, and the Federation for American Immigration Reform (FAIR). The last two were founded by none other than William Paddock—who remains on the boards of directors.

A directly contrary outlook is contained in the bill submitted to the Senate of Jan. 5, 1981 by Senator Schmitt (S. 47, the "United States-Mexico Good Neighbor Act of 1981"). Endorsed by Sen. Paul Laxalt (R-

Nev.) and other congressmen close to President Reagan, the Schmitt bill argues that a solution to the undocumented worker problem must be based on "strong economic and political cooperation between the United States and Mexico [which] will benefit not only the people of these countries, but will also help to eliminate Western hemispheric tensions."

The Schmitt bill also correctly rejects any "attempts to seal our vast border with Mexico to the flow of migrants," as a policy certainly "doomed to failure." It also rejects employer sanctions and the establishment of a national I.D. card, and calls instead for a "guest-worker" program of documented migrant labor. The annual quota of such workers would be set by the attorney general, in consultation with the secretaries of Agriculture, Commerce, and Labor. The only restriction placed on their employment is that they "not displace available, qualified, and willing domestic workers."

But where the Schmitt bill falls short is on the point of the necessary framework of joint industrialization which is the sine qua non of an immigration policy which does not encourage a fight for too few jobs. In a word, in the absence of an economic boom on *both* sides of the border, an immigration policy acceptable to both the United States and Mexico simply cannot be devised. That the Schmitt bill does not contemplate such a context of economic growth is evident when it states that "the vast majority of jobs that will be taken by Mexicans are in the agricultural and service industries"—precisely the degrading, stoop-labor jobs that would be rapidly eliminated under conditions of industrial expansion. Schmitt also proposes that the maximum stay in any calendar year for documented workers should be 240 days. This would guarantee that Mexican labor would continue to be employed only in seasonal agricultural stoop labor, and not in year-round jobs in industry and manufacturing which would help them seriously develop their skill levels.

The NDPC therefore endorses the Schmitt bill, while proposing its amendment on the following two points:

- Premise the entire immigration policy on establishing economic accords with Mexico around the idea of trading oil for technology, measures which will guarantee economic boom conditions on both sides of the border; and
- Increase the funding for border law enforcement activities against arms and drug smuggling.

Under such conditions, the United States can safely open the border to virtually unlimited flows of Mexican workers, who would be absorbed into an expanding high-technology industrial sector in the U.S., since this sector would quickly become labor-short. This, combined with the necessary adoption of minimum wage

and basic social security benefits for the migrant labor, will guarantee both the foreigners' well-being, as well as protect the jobs and labor rights of American workers. Encouraging the capital-intensive development of Mexico will also guarantee that Mexicans have attractive jobs to return home to, once they have acquired adequate skill levels in the U.S.

Within this context, it will become desirable to expand the American consular presence in Mexico, to help attract and document prospective guest workers. It is also in America's interest for Mexico to expand its consular offices in the United States, in order to help guarantee the protection of the human rights of the migrant labor from possible abuses by unscrupulous employers.

### **The NDPC proposal**

Restating our proposal for immigration policy in summary form, the NDPC believes Congress should:

1) Establish a bilateral, oil-for-technology economic accord with the Mexican government. Use this as the bedrock on which to build an industrial boom on both sides of the border. Reject the "North American Common Market" and similar schemes as unworkable.

2) Grant two- to three-year work visas to Mexicans who wish to work in the U.S. and their families. Guest workers will be allowed to work in any geographic area or any industry they desire, but an emphasis will be placed on absorbing them into higher-technology sectors, in an effort to rapidly upgrade their skill levels.

3) The best protection of American workers' jobs is to vastly expand the demand for skilled labor—which will result from the proposed oil-for-technology accord. An interim quota system can be established if necessary, as per the Schmitt bill's provisions, but with first-year quotas set in the 1.5 to 2 million range. Beyond that, the border can and should be virtually open.

4) Minimum wage guarantees and all federal educational and welfare services will be provided to all foreign workers.

5) Expand Mexican consular services within the U.S. to help protect the labor and human rights of Mexican guest workers.

6) Reject employer sanctions and the proposed national I.D. card, as measures that are discriminatory and endanger our democratic system.

7) As the new system takes hold, normalize the status of foreign workers—both documented and undocumented—currently in the U.S.

8) Significantly increase the funding for the border patrol and other law enforcement agencies, in order to crack down on the illegal flow of arms and drugs across our border with Mexico. Expand cooperation with the Mexican government in this regard.

## Paddock's friends draft Senate act

by Timothy Rush

In the United States, there are currently three major bills in the Senate affecting immigration policy, and three major proposals on the subject. What follows is a brief summary of each. An estimated 1 million undocumented Mexican workers at any one time are in the United States, while the U.S. immigration quota for Mexico, as for all other Western countries, is 20,000 per year, including relatives of legal immigrants.

**The Huddleston bill** (S. 776), "Immigration and National Security Act of 1981." This legislation's view of relations between the United States and countries with potential immigrants is that the United States is resource short, and therefore immigration must be limited. It proposes a quota of 350,000 foreigners per year as the ceiling on total legal residence of immigrants. There are no guest-worker provisions. The bill proposes to increase the U.S. border patrol to 6,000 and provide it with new equipment. Sanctions of \$1,000 per illegal alien are imposed on employers, with identity cards mandatory for all workers in the United States in order to facilitate policing.

**The Hayakawa bill** (S. 930). This bill is based on the view that economic and political cooperation is necessary between the United States and Mexico. It would allow 1 million Mexicans per year to enter the U.S. over a five-year period on guest-worker visas. The visas' maximum duration would be 180 days. Agriculture and services would be the mandatory areas of employment; immigrants are not allowed to displace American labor, says the bill. Guest-workers would post a \$500 bond in Mexico before coming to the U.S., which they would forfeit if they stayed illegally. Penalties of \$500 per undocumented worker are specified for employers violating the law. No I.D. cards would be introduced, but guest-workers would not be covered by the minimum wage.

**The Schmitt bill** (S. 47), "The Mexico-U.S. Good Neighbor Act of 1981." This bill calls for economic and political cooperation with Mexico, and centers around a guest-worker program, like the Hayakawa bill. Quotas, however, would be set by a special commission providing 240-day visas. The bill expects that most of these jobs will be in agriculture and service industries, but does not

restrict employment to those areas. A proviso stipulates that American labor cannot be displaced, and that the secretary of labor can rule work-sites off limits to guest-workers if adequate numbers of U.S. workers are available. No employer sanctions or I.D. cards are mandated. The bill does not specify minimum-wage coverage for guest-workers, although all other labor rights are protected.

**The Hesburgh report.** U.S.-Mexico relations, according to this report, should be focused on bilateral consultations to effect limitations on immigration. A permanent total of 250,000 immigrants a year from all countries would be allowed into the United States, plus 100,000 annually above this total each year for the first five years to clear away "the backlog." No guest-worker program is proposed. Limits on areas of employment would be set by a special commission. A superagency would be created to oversee a border crackdown. "High levels of alien apprehension, detention, and deportation" are recommended. The plan features employer sanctions, I.D. cards, and gradual legalized status for illegal aliens already in the United States.

**The Clements proposal.** According to the Republican governor of Texas, William Clements, a friend of President Reagan, U.S.-Mexico relations should be based on American help for Mexico's economic development. A joint committee made up of appointees by the two presidents should be established on immigration, and a guest-worker program should issue 270-day visas for an unspecified number of Mexicans. Areas of employment would be unlimited, and there is no mention of I.D. cards. Employer sanctions would be \$1,000 fines. Guest-workers would be covered by the minimum wage, discrimination discouraged, and the status of Mexicans currently in the United States legalized.

**The NDPC proposal.** U.S.-Mexico relations are to be based on bilateral oil-for-technology accords for Mexico's industrialization, as a model for North-South entente. For the first year of the program, a quota of 1.5 to 2 million Mexicans would be set under a guest-worker program; thereafter there would be no immigration limit. Guest-worker visas of two to three years could be indefinitely renewed. Areas of employment are unlimited, but high-technology employment is encouraged.

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An *EIR* seminar on "Mexico: America's \$100 Billion Neighbor," held April 16 in Los Angeles, received a telegram of greetings from California's Sen. S. I. Hayakawa, which read, "I applaud your efforts to develop a humanistic approach to Mexican-American immigration. Your proposals should be considered if any workable immigration policy can be developed. America was founded on the notion of opening our shores, and our borders, to all in need. This tradition must be continued."

# Who's saying what on immigration

by Dennis Small

With the introduction of Sen. Walter Huddleston's "Immigration and National Security Act of 1981" last month, the long-held dream of a man named William C. Paddock has taken a big step closer to reality.

An agronomist who worked for the U.S. government in Central America, Paddock was one of the founding triumvirate of figures in the late 1960s who popularized the notion that the best approach to dealing with alleged world overpopulation is the quickest possible elimination of excess population. His book *Famine 1975* called for applying the medical policy of triage to entire Third World populations.

Garrett Hardin, a biologist, coined the companion term "lifeboat ethics." If a lifeboat is overcrowded, and taking on more people will mean the entire boat sinks, it is justified to deny survival to the latecomers. In the case of food and population, the "rich nations" are now floating lifeboats in a sea of drowning "poor nations," Hardin propagandized. He testified in congressional hearings against U.S. aid allocations to famine-ridden countries. Paul Ehrlich's 1968 popularization of Paddock's and Hardin's work, *The Population Bomb*, became a nationwide bestseller.

In 1973 Paddock and Hardin led a split-off from the bulk of family planning organizations to found a new group dedicated explicitly to popularizing coercive birth control methods. This was the Environmental Fund, which wedded the environmentalist thesis of declining resources to Paddock's obsession with population reduction. The Fund's statement of purpose described it as "an effort to stimulate thinking about the unthinkable." The Fund has "no use, no time, and no interest" in merely voluntary birth control programs, knowledgeable sources state. "Almost 100 percent" of the funding for the Environmental Fund came from the Mellon Gulf Oil heirs of Pittsburgh, according to the same sources. Paddock also pitched in funding from his personal fortune.

Paddock has very specific ideas about Mexico. In a series of 1975 interviews he insisted that Mexico's population must be cut in half. He said the way to do this is to "shut the border" with the U.S. and "watch them scream." How would this reduce the population? "The usual means—famine, war, and pestilence." In a mid-1980 interview with *EIR*, Paddock reiterated that reduc-

ing Mexico's 68 million population by half "would be an excellent thing." Asked if Mexico's rapid economic growth and technological advance didn't permit more population, Paddock objected: "Growth is something you have to stop."

## FAIR's origins

Paddock decided that the Environmental Fund's "educational" legal status and general population focus inhibited adequate lobbying for specific "close the border" measures. In 1979 he teamed up with a Michigan doctor and fellow Environmental Fund board member, John Tanton, to found the Federation for American Immigration Reform (FAIR).

Tanton, like Paddock, had also served on the board of directors of Zero Population Growth in the mid-1970s. According to ZPG Executive Director Roy Morgan, "Tanton moved out because our position on immigration was too moderate for him." Tanton tapped a hard-core environmentalist from his home district in West Michigan, Roger Conner, to become FAIR's executive director. Conner set up a close working relationship with Paddock, who joined FAIR's board of five directors in early 1980. Says Morgan, "I can tell you exactly who in Washington knows Bill Paddock front and backwards, up and down, right and left and works with him. That's Roger Conner."

Conner describes the Carter administration's *Global 2000 Report*, which he worked on, as a "realistic document" that "puts into governmentese what Bill Paddock was saying in 1965." If the Reagan administration fails to implement the report, it "will be a tragedy."

With a 1981 budget approaching \$1 million, and mass mailings of over a million pieces at a time, Conner went to work on Congress. He found an entry point with Sen. Walter D. Huddleston and Huddleston's aide Roger LeMaster. The Huddleston bill is the product of work with FAIR, the Environmental Fund, and ZPG, says LeMaster; Conner is unabashed about FAIR's pre-eminent role: "We gave Huddleston's office a tremendous amount of information . . . as well as strategy. . . . They have been able and willing to work very closely with us."

Conner has assiduously lobbied among Reagan's conservative supporters by playing up the bill's provisions against drugs and illegal arms, while downplaying its police-state labor control features and its implications for U.S.-Mexico relations. As for Paddock, his "only interest in life right now," according to friends, "is immigration into the U.S." On his way to FAIR's April 11-12 board of directors meeting in North Carolina, Paddock was asked about the Huddleston bill. "It's a wonderful bill," he said. "But I wasn't directly in touch with Huddleston on it. That was Roger Conner's work."



## Senator Alan Cranston: Fed's policy is inflationary

*The following exclusive interview was granted to EIR's Barbara Dreyfuss on April 14 by Sen. Alan Cranston of California, the Democratic Minority Whip. Cranston has just introduced a bill that would allow the President to choose his own Federal Reserve Board chairman, and has added his voice to the criticisms of Fed Chairman Paul Volcker's high interest rates by demanding that Volcker submit his resignation.*

**EIR:** Senator, what is your concern about the Federal Reserve Board?

**Sen. Cranston:** My concern is that the Federal Reserve Board seems to be focusing on interest rates through tightening money to control inflation. The undersecretary of the Treasury, Beryl Sprinkel, criticized the Fed as too centered on continuing the interest-rate level, and the burden will work against stimulating the economy. There's concern in Congress, the Democratic Party, the business community. I'm not suggesting a direct strike against the independence of the Fed. I am suggesting that we reverse the timetable when the chairman and the vice-chairman of the Fed are selected.

Presently their term commences two years into a new President's term. I suggest that their terms expire on Jan. 20, the day the new President is sworn in, so he can pick the chairman in tune with what he's been elected to do. This follows from the report, the only serious study of the Fed in the past generation, made in 1961 by the Commission on Money and Credit established in 1959 by the Committee on Economic Development. It made this single recommendation, exactly what I am proposing be done.

**EIR:** What is your view of the current Federal Reserve chairman and the way he is handling interest rates? What are the effects of the high interest rates on the economy?

**Sen. Cranston:** The long-range effect may or may not be

to slow inflation adequately. But the immediate impact is to itself be inflationary, in that the high interest rates add to the cost of everything touched.

And on the other hand, it hampers the effort to restore productivity because it inhibits investment in new factory equipment and rolling stock and other material needed to increase productivity. So it's counterproductive in that sense. I think Volcker places too much emphasis on the single tool of high interest rates. And the handling of interest rates is somewhat erratic. So nobody can plan. Otherwise I don't have any beefs with him. My feeling is just that the system should be altered as I said.

**EIR:** Have you heard from the administration on your suggestion?

**Sen. Cranston:** No, I have not. I haven't made any effort to line up support. I will be doing that. I did talk to Garn, the chairman of the Banking Committee. He indicated that when they have oversight hearings there might be an opportunity, I can pursue this point. This will be sometime in the next few weeks.

**EIR:** Can it possibly pass the Congress?

**Sen. Cranston:** I don't know. I hope the mere suggestion that something like this will happen will catch the attention of the Fed and make them realize that if they don't act more like a member of the team, there could be a developing demand for even more far-reaching legislation affecting their role.

**EIR:** Will this be a major issue in the Democratic Party?

**Sen. Cranston:** High interest rates are becoming a major issue not just in the Democratic Party but in the Republican Party, and in the business world, too. I would like to see President Reagan have a Fed chairman that would be more cooperative. But actually my proposal wouldn't



take effect until the new President took office. Whoever the new President will be, he will be able to pick his own Fed chairman. The mere introduction of this might have an effect on the Fed's behavior presently, there's enough indication of interest presently.

**EIR:** Have you spoken to Volcker about the interest rates?

**Sen. Cranston:** I haven't recently, but over the past few years I have been urging him to recognize that we are taking steps to cut the budget and revise taxes, and the Fed should not place their reliance on their own efforts to deal with the economy through interest rates. And he has never been particularly responsive to that.

**EIR:** Do you intend to speak out further about this issue?

**Sen. Cranston:** I intend to keep pushing on this issue.

**EIR:** There was a House Democratic Party statement last week on economic policy; do you anticipate one from the Senate? The House statement included a strong attack on the high interest rates.

**Sen. Cranston:** I anticipate that there would be, but I don't know. I know that the interest rates are causing increasing concern. These high rates will be very frustrating to the Reagan effort to balance the budget, because these high interest rates are higher than they have anticipated and predicted, and that's going to add substantially to the deficit this coming year. The President based his budget assumption on an 8.9 percent interest rate in 1982. The Republican members of the Senate Budget Committee predicted a rate of 12 percent and the Democrats predicted it will be 13.7 percent. If either of these figures is correct, and they seem to be, in view of the Fed's behavior and the trend of the interest rates, this will add several billion dollars to the deficit.

**EIR:** So in effect you are saying that unless the President does something about the high interest rates his economic program cannot succeed.

**Sen. Cranston:** It makes it much more difficult, if the President doesn't have the power to do anything about it because the Fed is absolutely independent.

**EIR:** On the House side there has been discussion of being able to remove a Fed chairman by Congress. Congressman Dorgan [D-N.D.] introduced legislation to allow Congress to remove the chairman by a 60 percent vote, so many people don't think the Fed should be independent.

**Sen. Cranston:** We have that right, but I have suggested one thing we might do—the objective I have is to send a message to the Fed that there may be a rise in demand for action more extreme than I have suggested, if they

don't prove more cooperative and more sensitive in their approach to interest rates.

**EIR:** Has there been concern expressed by the administration?

**Sen. Cranston:** They are very concerned about the high interest rates. The statement by the undersecretary of the treasury last week before the JEC [Joint Economic Committee]—Beryl Sprinkel—he testified where he was critical of the Fed.

**EIR:** What steps do you think we should be taking on the economy generally? Second, do you think that we should be increasing the amount of money available to productive investment at low interest rates?

**Sen. Cranston:** If it could be carefully directed to that field, it could be a useful step.

**EIR:** What other economic measures do you think we should take to help the economy?

**Sen. Cranston:** Basically, I support the move toward deregulation where it can be done. And that doesn't mean everywhere. I support the move to cut spending, though I differ with the Reagan administration on the component part of this. But I accept the overall figure. I agree with the need for tax changes, but I support more the line taken by Rostenkowski than the administration.

**EIR:** You mean targeted to increasing savings and investment?

**Sen. Cranston:** Yes, that's it. And I feel the administration is neglecting energy policy by downplaying the need to develop alternate sources of fuel. Arab oil prices have been one of the major causes of inflation.

**EIR:** Would that include nuclear?

**Sen. Cranston:** They are going all-out in the administration on nuclear and I think we should be paying attention also to solar, geothermal, and synthetics. Finally, the increase in defense spending, which I don't fundamentally quarrel with, is inflationary and makes the budget balancing more difficult. And we should be carrying on an all-out effort to achieve arms control, SALT and any other approach.

**EIR:** Do you expect statements by the new head of the Democratic Party, Mr. Manatt—whom I know you are close to—and other Democratic Party leaders, on the economy, specifically on the high interest rates?

**Sen. Cranston:** Yes, I do.

**EIR:** I have been told this will be a major issue for the Democratic Party.

**Sen. Cranston:** I presume it will be, because the interest rates are atrocious and they are hurting the economy.

# 'Discourage keeping people alive'

*At the congressional Office of Technology Assessment, reports Lonnie Wolfe, they are working with State's population killers.*

Agencies within the U.S. State Department are working from a classified list of countries to be triaged in accordance with the prescriptions of the *Global 2000 Report*, sources at the congressional Office of Technology Assessment confirmed last week. The OTA itself is involved in the effort to cut world population growth by 2 billion people, according to one of its officials, Louise Williams. In concert with State's Office of Population Affairs and the Agency for International Development, as well as personnel from the National Security Council, the OTA is preparing a report on "The Population Crisis in the Developing Sector." The report will be couched in terms of contraceptive methods, but its message will be that "whole parts of the world must be written off," as Williams puts it.

The OTA staff, funded at a \$13 million annual level, is working with reports that call for classification of countries by likelihood of survival, ending with an "impossible" category. "Why should aid be given to countries that cannot survive?" said an OTA demographer. "It is a waste of precious resources." The State Department is already conducting its planning on this basis, OTA emphasizes.

Founded in 1972 through the initiative of Sen. Ted Kennedy and one of his advisers, Club of Rome member Michael Michaelis, OTA has consistently pressed for U.S. aid to the developing nations to promote small-scale, backward technologies and brute manual labor. OTA head John H. Gibbons, has directed various university and government energy-conservation and environmental quality programs for many years. The previous OTA chief was Russell Peterson, a board member of the U.S. Club of Rome and the World Wildlife Fund, president of the National Audubon Society, and a leading public supporter of the Global 2000 perspective.

OTA has produced reports attacking the supersonic passenger aircraft, pesticides, chemical fertilizers, tractors, advanced medical technology, international nuclear technology sales, and the U.S. nuclear fusion research program. According to the OTA, biomass is preferable to fusion, which requires a more centralized economy.

*The following is excerpted from an interview with Louise Williams, a staff member of the Office of Technology Assessment involved in drafting a special report on the "Population Crisis in the Developing Countries." The interview was made available to the EIR by an investigative journalist.*

**Q:** I understand you are preparing a report for Congress on the population crisis in the developing sector.

**A:** I really cannot talk about it directly. It is a very sensitive subject. What it will be is a series on options for Congress. On one level it will focus on new contraceptive technologies and how they can be used. Where it gets tricky is that once we release the report we want a lot of publicity, but not now. The report will be the basis for the discussion of the population crisis, and get people oriented to how bad things really are. It is much safer to couch this discussion in objective facts.

People are going to have to be written off. Many people just won't make it—whole countries. Look at China; people say that it has a fine population program. Let's face it, China is doing a lot, but it is doing it over dead bodies. Tens of millions of people have been wiped out in China over the years. . . . In many countries, the task is impossible. Bangladesh won't make it. It comes down to counting bodies in some places and saying that there are too many. In many cases, policy must be to deliberately discourage programs that might keep people alive. . . .

There is a plain outside Dacca in Bangladesh where millions of people live. It is not good for growing anything, but people live there anyway. Every few years there is a flood that kills millions of people. Yet after each flood more people move back. Should we stop that process? The answer is no. It is natural population control. Let the people die, because we know that these people and all of Bangladesh will likely die in the long run.

We have worked closely with the Population Crisis Committee. There is much more going on. People over at State are doing classified planning about which coun-

tries in the developing sector can be saved. No one wants to talk about this publicly, but people know that whole parts of the developing sector will have to be written off. It takes time to translate this into foreign policy.

The bad part is that many of these countries contain resources that are vital to the U.S. and they could become valuable trading partners, under better circumstances. But look, this is not out of line. The World Bank and International Monetary Fund are already making these kind of decisions in the way they give out development credit. They don't say they are, but look at their policy. It is triage. . . .

East Africa is going down the tubes, and it will pull others along with it. The famine in the Sahel, as horrible as it is, seems to serve a purpose. It reduces population. More importantly, it serves as an object lesson. It helps us convince people that we must take drastic planned measures. It sells our ideas. . . . There are many people over at State who say that this is more valuable than if we could save all the starving people for a while. . . .

**Q:** Should our aid programs be geared to this concept of which countries should and should not be saved?

**A:** Should it? Yes. Is it being done? Not yet; it takes time. This challenges basic American assumptions about our humanitarian instincts. . . . Americans don't understand demographics. They believe that growth can solve things, anything. The *Global 2000 Report* goes into the teeth of this belief, which is why it is so hard for people to swallow. It presents all the arguments a sane person would need to reach the conclusion that hundreds of millions of people are not going to survive. By saying that little can be done to avoid this result, it gets people ready to accept horrors, and plan for them.

We have to be very, very careful. I think these things, but you won't find them written in the report. We can't use the word "triage decision." That would scare people. You people in the press, you should write your stories with these ideas. Get the population radicalized, and then people in the Congress will turn to the report and say, "Give me a copy, there are facts here that explain these horrors." We are going to construct the report so that only a fool could reach any other conclusion. But that is a really delicate job.

**Q:** What do you think the White House reaction will be to what you are doing?

**A:** I can't say. Right now, if they found out what we are doing, they and some of their toadies in Congress would jump down our throat. Timing is critical. You know we are working with some of those people over at the CEQ [the White House Council on Environmental Quality, which prepared the *Global 2000 Report*] whom Reagan's people fired. The report will not come out until June. There will be a climate for it by then.

## A series of EIR Seminars

### The War Against American Banking In Dallas

Speaker: David Goldman,  
Economics Editor, *EIR*  
Friday, May 8 7:00 p.m.  
Contact Donna Benton (713) 972-1714

### No Limits to Growth: Alternatives to Global 2000 In Washington, D.C.

Speakers: Dr. Uwe Parpart,  
Fusion Energy Foundation  
Christopher White,  
Contributing Editor, *EIR*  
Wednesday, May 20 9:00 a.m.  
Contact Laura Chasen (202) 223-8300

### The Development of the African Continent In New York City

Sponsored by the  
Committee for a New Africa Policy, the  
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Friday, May 22  
Contact: Dennis Speed (212) 247-8820

We also call to your attention:  
**Fusion Energy: the National  
Security Implications**  
sponsored by *Fusion magazine*  
In Washington, D.C.

Speakers: Hon. Michael McCormack  
Dr. Uwe Parpart, FEF  
Dr. Frederick Tappert, Professor of  
Physics, University of Miami  
Dr. George Hazelrigg, Director of  
Systems Engineering, ECON, Inc.  
Dr. James Maniscalco, Director of  
Fusion Engineering, TRW, Inc.  
Wednesday, May 13 9:00 a.m.  
For details, call (202) 223-5614 or (301) 235-1543

# Heritage wants to shrink armed forces

by Barbara Dreyfuss

The Heritage Foundation, a nominally conservative think tank, and a group of liberal Democrats are actively working to dismantle U.S. military capabilities in a decade when the question of U.S. or U.S.S.R. strategic military superiority will be decided. Claiming that the U.S. is not and will not be able to fight and win a war against the Soviet Union, Heritage is trying to turn the U.S. military into a police force for the geopolitical brinkmanship policies of Henry Kissinger. A key force behind this campaign is the British oligarchy, which seeks to use U.S. military capabilities to implement population reduction.

In early May the Heritage Foundation, which, as *EIR* has detailed has close ties to British intelligence, will issue a report titled *Reforming the Military*. It details how the U.S. military can be reshaped into an instrument to be used in local hotspots. The report is a compendium of articles by such diverse individuals as Bill Lind, the legislative assistant to liberal Democrat Sen. Gary Hart (D-Colo.); Edward Luttwak, who has been a policy adviser to Sen. Howard Baker (R-Tenn.); Norman Polmar, the former U.S. editor for the British intelligence-related *Jane's Fighting Ships*. Military analysts Steven Canby and Pierre Spray also contributed to the report. The group calls itself "the reformers" and their ideas are actively supported by Colorado's Sen. Gary Hart, the former campaign manager for George McGovern, as well as liberal Democratic Congressman Les Aspin of Wisconsin and people close to Ted Kennedy. Aspin has called for the primitivization of the military, with sophisticated equipment modified to match the illiteracy of troops who would operate it. British press reports have claimed that former Defense Secretary Harold Brown endorsed this view.

In an interview before he left for a military strategy conference in London, Jeff Barlow, the Heritage Foundation editor of the report, admitted that the report's authors believe that America will not be able to gear up its industry for a strong, in-depth military capability, and so the United States must try to force a Soviet backdown through bluff and regional confrontations. "I think that the idea of being ready for regional war is true. For too long we have been caught with the attempt to maintain

qualitative advantage rather than determining to maximize our advantages. For too long we have been caught with the idea of American industrial capacity letting us overcome the enemy. If there is a war in Europe, it will be a short war, and we may find that we are not capable of winning. We have to have maneuverability and smaller equipment."

In a period when applied ABM systems, fusion energy programs, and similar high-technology systems will decide the question of military superiority, these people are talking about primitivizing the American military. In the section on manpower written by Lind and Canby, the report declares, according to Barlow, that "the Soviets are superior in manpower and numbers of equipment, tanks, aircraft, so since we can't fight a war we have to move to a doctrine of maneuverability like the German Panzer Corps." To be able to rapidly maneuver, they propose much smaller army units. The RDF is strongly advocated by the report's authors, although Joint Chiefs of Staff chairman Gen. David Jones admitted March 12 that the RDF would not actually be useful in fighting against a Soviet invasion in the Third World because it would take 180 days for the U.S. to bring in an adequate number of troops.

In terms of U.S. naval capabilities, Polmar declared that his proposal is for "smaller and cheaper" equipment. He proposes much smaller aircraft carriers than the U.S. now uses, and much smaller submarines than the SSN-688 *Los Angeles* class. Barlow in fact goes so far as to propose that the U.S. scrap the Trident submarine program, an important arm of our strategic capabilities, and just develop small subs for regional areas instead.

Senator Gary Hart has been an outspoken advocate of such a small-is-beautiful approach to U.S. naval capability. In a Senate statement March 5, Hart proposed that the U.S. replace the SSN-688 class attack-submarines with diesel-electric subs—the technology of World War II and develop smaller, non-nuclear carriers and non-nuclear cruisers. Hart, along with Rep. Les Aspin, also opposes the Trident submarine.

The Heritage network thinks they have some allies in the new administration for their ideas. Barlow says that Bill Schneider, the OMB official responsible for military affairs, has read the material and "he is open to this approach." Polmar claims to be a good friend of Navy Secretary John Lehman, a protégé of Henry Kissinger. But he laments that Lehman is limited in what he can do to reverse U.S. military doctrine because of pressure from Congress and from the navy itself, much of which is opposed to the Heritage Foundation plans. "Lehman can't do things for political reasons." And the Heritage Foundation liberal Democratic network is going to find it difficult to sell their plans to the Reagan administration which was put into office by an electorate determined to restore U.S. industrial and military capability.



Walter Cronkite

## CEQ still at work pushing depopulation

The White House Council on Environmental Quality, whose staff produced the Carter administration's *Global 2000 Report*, is working behind President Reagan's back to entrench the report's population doctrine within the administration and Congress.

Three weeks ago, the White House announced that it was firing the entire professional staff of the CEQ, effective May 4. But my sources on Capitol Hill report that the environmentalists who compose the council's senior staff have not packed their bags. Instead they hold "semisecret meetings" with key congressional staff and members of the State Department sympathetic to their cause, to plan future strategy.

The week before Easter, CEQ staffers, headed by ousted general counsel Nick Yost, met with individuals from the Senate Environment and Public Works Committee, chaired by pro-environmentalist Sen. Thomas Stafford of Vermont. They plan meetings with other Senate committees, including Chuck Percy's Foreign Relations

Committee.

Yost, whose father Charles is a former Mideast desk officer for the National Security Council, is "trying to sheep-dip the Global Future proposals into congressional legislation," says a source. The *Global Future Report*, prepared under Yost's direction, is the implementation document for Global 2000. It demands that the U.S. orient itself to a policy of global population cuts, including cuts in the American population.

This latest round of meetings has not yet netted any concrete legislative commitments, but it has stirred up some other activity. At least three prominent senators are privately circulating a letter demanding that the Reagan administration respond promptly and affirmatively to the problems alleged in the Global 2000 reports.

And the CEQ has helped secure congressional hearings on the Global 2000 policy next month in the Census and Population Subcommittee of the House Post Office and Civil Service Committee, headed by Rep. Robert Garcia (D-N.Y.).

Without any White House knowledge, much less approval, the CEQ staff is meanwhile circulating a memo on "possible congressional activity" based on the Global Future document.

A CEQ staffer reports that Yost and others are telling anyone who will listen that "they have inside people in the administration" who will back Global 2000. This was confirmed by Kitty Gillman, who says the CEQ has "high hopes" for Jim Buckley, the undersecretary of state for security assistance. Buckley, Gillman exults, is a committed conservationist. "Why, he even wrote a piece defending the snail darter."

The CEQ had looked to Alexander Haig for support, but now

doubts its value. "Haig may support our ideas," said a CEQ spokesman, "but if he said so, it might hurt us. Everything he touches turns to dust."

Other members of the network include Assistant Secretary of State for Economic and Business Affairs Robert Hormats, a Carter veteran, and Population Coordinator Bill Long at the Agency for International Development (AID). Peter McPherson, the newly named director of AID, is described as a "total intellectual lightweight" who has been "an easy guy to manipulate," Global 2000 supporters claim. Buckley has not been among the least manipulative, they added.

## 'Here now the news'

Despite the influence of this network, the fired CEQ staffers say they will have a tough time selling their ideas to the White House. "Let's face it," said one of them, "they fired us because they didn't like what we were doing." Commented Gillman, "If only the Carter administration had stayed in office, Global 2000 would be the centerpiece of policy. Instead we have good people trying to work behind the back of the President."

More effective, they hope, will be the Committee for the Year 2000, headed by Arco chairman Robert O. Anderson and World Wildlife Fund U.S. chief Russell Train. The committee, which includes Cy Vance, Elliott Richardson, and Walter Cronkite, has reportedly scheduled "dozens" of meetings with top administration officials.

Gillman says that former CBS anchorman Cronkite is crucial. "He has the recognition. He is trusted. We hope he can use his prestige to wow Reagan. Cronkite is a committed environmentalist. He will give his all."

## **Senate Labor Committee subpoenas DOL files**

The Senate Labor Committee voted April 8 to subpoena 37 items from the Labor Department relating to the department's investigations of union corruption and organized crime. The items requested included material on the Teamsters Central States Pension Funds and the Southwest and Southeast Pension Funds. The committee indicated that they wanted to ensure that the Labor Department is pursuing its investigations with the proper speed. Rumors are flying, fueled by those who want to force a witch-hunt against labor, that DOL has covered up labor corruption and has even shredded many incriminating documents.

Aides to Ted Kennedy (D-Mass.), who has targeted the Teamsters for many years in the tradition of his brother Robert, are gloating that they have boxed the GOP into actions which will in fact hurt Republicans. "The Republicans don't know what they are doing," said one aide. "Hatch will get into areas of investigations of the IBT, ILA, the Hotel and Restaurant Workers, which will hurt the Republicans, not the Democrats. . . . [Labor Secretary] Ray Donovan is viewed as a corrupt man in the committee." He happily predicted that Hatch would end up "investigating himself . . . his Republican associates are most implicated with the Teamsters. Just think of William French Smith, Reagan, Frank Fitzsimmons, Sinatra, Nixon, Jackie Presser, Hatch, Governor Rhodes of Ohio, Paul Laxalt."

And the Heritage Foundation, which purports to be a friend of the administration, is also happy

over the committee's actions. "Even though the FBI did everything they could to find criminal evidence against Labor Secretary Donovan and failed, I'm convinced that Donovan is probably a criminal," declared a Heritage Foundation researcher. He said it did not matter if the Reagan administration was damaged by scandal, because "there is no infrastructure there which is yet capable of conservative governance."

## **Heflin declares NASA investment in America**

Senator Howell Heflin (D-Ala.) detailed in a statement on the Senate floor April 8 the enormous benefits from the NASA space program over the years: "It might be instructive to examine an institution which exemplifies what a government, industry, academic partnership can mean to this country in terms of productivity, economic growth, technological superiority, jobs, new industries, better methods and goods and perhaps even more important, national pride and prestige.

"It would in my judgment be difficult to find an R&D team which has made more significant contributions to our country's well-being than the National Aeronautics and Space Administration." Heflin reported that a study by the Midwest Research Institute in 1971 calculated a 7-to-1 return over 18 years from new technology stimulated by NASA's R&D. In 1975, he noted, Mathematica, Inc. measured potential gains to the economy of \$7 billion over 10 years from the introduction of just four technologies developed by NASA.

"In my judgment we must unleash the creativity, the imagination, and the technology innovation of these superb teams of scientists and our space programs and provide them with the funds necessary to move these daring programs forward. We must, for our own sake, provide new marks for challengers to aim toward, not watch as they surpass the old ones.

"I am convinced NASA is the best hope for retaining aerospace leadership and markets. I am convinced that far greater support is needed. In a larger sense I am convinced that research and development is essential to our growth and productivity and to our spirit—the spirit that is recognized everywhere as 'American.' "

## **Foreign takeovers arouse concern**

Two congressmen, Dan Marriott (R-Utah) and Manuel Lujan (R-N.M.), have sent letters to Interior Secretary James Watt urging that he report to Congress, under the Mineral Leasing Act of 1920, about the now dropped attempt by the Canadian Seagram firm to take over St. Joe Minerals and other takeovers. The congressmen point out that under that act the question of reciprocity can be brought into play on the takeovers involving Canadian firms such as Seagram, because Canada has restrictive provisions on attempted U.S. takeovers of Canadian firms. The Marriott letter was signed by 14 other congressmen. It says in part that "we view your review of whether and how the United States might be vulnerable to manipulation of domestic mineral resources devel-

oped by foreign corporations as of great importance."

A move by two Missouri congressmen to cool off foreign bids was partially credited with Seagram's retreat.

## Global 2000 hearings tentatively set

The Census and Population Subcommittee of the House Post Office and Civil Service Committee, chaired by Robert Garcia (D-N.Y.), has tentatively scheduled hearings on the Global 2000 report of the Carter administration for May 12 and 14. The hearings had been expected earlier, but sources reported that opposition to the report forced a delay.

This first round of hearings is a prelude to subcommittee review of legislation H. R. 907 submitted by Richard Ottinger (D-N.Y.). Ottinger's legislation would establish an Office of Population Policy in the executive to oversee enforcement of zero population growth domestically.

## National water policy board proposed

James Abdnor (R-S.D.), chairman of the Senate Environment and Public Works Subcommittee on Water Resources, introduced draft legislation on April 9 for new national entities to administer and set administration water policy.

In introducing the legislation, Abdnor stated, "My proposal would create an office of water policy in the Department of Interior which would undertake factual assessment of the nation's water

outlook. The office would operate state program grants, which will gradually be reduced until the states can manage their own, and it would operate a research program. . . . My proposal would create an interagency national board of water policy to be responsible for establishing the administration's position on water policy and to report to Congress on needed changes in policy."

In addition, the Abdnor proposal would set up a state advisory committee to strengthen the relationship between the states and the federal government in the area of water policy.

Abdnor, who stresses that his proposal is a discussion draft, made his suggestions in the wake of Interior Secretary James Watt's decision to abolish the Office of Water Research and Technology in the Interior Department and the Water Resources Council, the current interagency water policy board. The WRC, in particular, has been a nest of zero-growth sentiment. The Senate Environment and Public Works Committee, however, reacted strongly to Watt's proposal not to fund the two offices, and voted 11 to 1 on March 14 to maintain a small amount of funding for both entities. The committee believed, and Abdnor concurred, that states would be left in the lurch with inadequate planning coordination on the national level. The committee concluded that a one-year phaseout would be more acceptable.

Abdnor's Water Resources Subcommittee will hold hearings the week of April 20 to discuss the overall issue of national water policy. Following the first round of hearings, Abdnor hopes to have a

better sense of what is needed in national water policy and will then revise his legislation if necessary.

## House Democrats issue policy statement

House Democrats approved a "Statement of Democratic Principles" April 8, containing policy statements on energy, technological innovation, interest rates, "investment in human capital," incomes policy, and labor-management relations.

The energy section stressed conservation and development of alternate fuels and coal, but did not mention nuclear energy. The technological innovation section stressed the necessary government role in promoting research and development, while the investment in human capital section talked about the need for a well-educated and healthy workforce. The statement also criticized current high interest rates as inflationary.

However, some moderate Democrats are known to be concerned about the statement's call for "a new area of cooperation between labor and management and [exploration of] new management techniques like worker democracy." Such liberal coparticipation programs have traditionally been used to enforce austerity policies on labor.

Criticism has also been heard of the statement's proposal that "our nation needs an incomes policy—a flexible set of methods for combatting inflationary wage and price trends. Built-in wage and price increases affect today's inflation rate." Wage and price controls are not widely liked.

# National News

## DOD calls for space-based ABMs

The Department of Defense is preparing a report for Congress that will urge a major program to develop a space-based antiballistic missile system, informed sources say. The report will be delivered to the Senate Armed Services Committee May 15.

A space-based ABM, which would utilize laser or particle-beam weapons deployed from satellites, is being hotly debated in the U.S. defense community and is expected to become the focus of a "great debate" on U.S. military strategy over the coming year.

While the administration has not made any formal commitment to such a program, President Reagan is known to favor it. In addition, his newly appointed deputy undersecretary of defense for research and engineering, T. K. Jones, is an outspoken proponent of a space-based ABM.

## Environmentalists target Interior's Watt

A coalition of environmentalist groups led by the Sierra Club surfaced last week to launch a nationwide campaign to "get" the prodevelopment secretary of the interior, James Watt.

At a press conference held in San Francisco April 16, the Sierra Club issued "a bill of indictment" against Watt, compiling his "anti-environmental" decisions and remarks. Sierra officials also announced the initiation of a nationwide petition drive to collect 1 million signatures to demand Watt's ouster. The Wilderness Society, the Friends of the Earth, the Natural Resources Defense Council, the National Audubon Society, the Environmental Policy Center, Environmental Action, and other groups are reportedly planning to collaborate, and a spe-

cial "Watt Watch" office has already been set up.

Sierra's targeting of Watt has caused concern among intelligence circles, since the drive does not correspond to the group's past practice of selecting politically feasible legislative targets for lobbying pressure. Given its lack of any identifiable legal objective, Sierra's anti-Watt hate campaign may well have been designed to create a climate in which the interior secretary becomes a credible target for assassination.

## Senator predicts end to grain embargo

Senator Roger Jepsen (R-Iowa) predicted to reporters in Sioux City, Iowa on April 15 that the administration would lift the embargo on grain sales to the Soviet Union "within three weeks" if the situation in Poland remains stable. Jepsen said that he has been assured by the President that Reagan is anxious to fulfill his campaign promise to end the embargo but has been held back because of the Polish developments.

"I would predict that the grain embargo will be lifted within three weeks," he said, "if indeed the activities on the Polish borders by the Russians would cool down and the Soviets would back off." The White House confirmed that it is seriously considering an end to the embargo, while on April 18 the State Department denied it.

## U.S. Club of Rome boosts Global 2000

Fifty-five members of the U.S. Association for the Club of Rome, which is the American affiliate of the Club of Rome International, gathered in Chevy Chase, Maryland on April 14-15. In an opening speech, Aspen Institute propagandist Tom Wilson insisted that "Global 2000 and other reports like it cannot be refut-

ed. We can conclude that any notion of national security attached to the nation-state or to national boundaries is a conceptual trap." The global problem, he said, is that "the technosphere and the biosphere are on a collision course."

Robert Hamrin, an economist formerly with the congressional Joint Economic Committee, stated that "depletion of mineral resources around the world" would convince policy-makers of "the necessity for Global 2000 as a military security question." The Club of Rome, he proposed, should "perfect a true supply-side economics based on the preservation of scarce land and natural resources."

The final speaker was mystic Elizabeth Dodson Gray, who termed the Judeo-Christian outlook a "fertility cult."

## Surgeon General nomination attacked

The confirmation for Surgeon General of Dr. C. Everett Koop, a prominent Philadelphia surgeon, is under attack by the House Conference Committee. The 65-year-old Koop's appointment requires waiver of age-limit for the Surgeon General. A special amendment to this effect, sponsored by Sen. Jesse Helms, has already passed the Senate. Its amendment to a bill that passed the House unamended has, however, placed the issue before Conference Committee chairman Henry Waxman, who is demanding Koop appear before his committee to explain his "intolerant views." Waxman is a supporter of the "right to die" movement.

Currently Undersecretary of the Health and Human Services Administration, Koop is a staunch opponent of euthanasia. The argument that certain patients face "a life not worth living," Koop says, was identified by U.S. personnel at the Nuremberg trials as "the source of corruption of the medical profession prior to the Nazi Holocaust."

Koop views abortion, infanticide, euthanasia, artificial insemination, single



parenthood, and the gay rights movement as a challenge to the family-centered development of children and society. Koop also opposes the use of "cost effective" evaluations to undercut high-technology medicine.

## Stockmanites plan major cuts in DEA budget

The Drug Enforcement Administration is slated for major cuts, including a \$5.4 million cut in supplemental funds already allocated for the agency's Southwest Asian heroin interdiction program. An additional \$5.9 million in cuts is proposed for federal, state, and local task-force programs, as well as cuts in the State Department's international narcotics management program, which supports crop substitution overseas.

Administration spokesmen say they plan to augment certain areas of DEA funding, including domestic enforcement, foreign investigations, and technology. The overall budget is \$2.7 million higher than Carter's, before inflation. However, cuts of up to 50 percent in domestic task-force manpower and in intelligence, where 21 positions are to be eliminated, would reduce national drug-fighting capabilities overall.

## Tom Hayden receives Democratic award

The Orange County (California) Democratic Alliance, a group of 60 mainstream Democrats, bestowed the "Rumpus Delecti" (Chosen Ass) award on "the husband of Jane Fonda, also known as Tom Hayden," in April.

The award was given as part of the group's campaign to "cleanse [party] ranks of a very dangerous element," especially Hayden's Campaign for Economic Democracy (CED), and to promote "traditional Democrats and the American System of government." The Democratic Alliance's unanimous deci-

sion to award Hayden read in part:

"Whereas, this man had the temporary presence of mind to marry Jane Fonda's millions, in a community property state; and

"Whereas . . . [he] has unilaterally decided to perform a disservice to the people of California by threatening to seek simultaneous election to, and concurrent service as state controller, state treasurer, secretary of state, and governor, otherwise known as the Junta of One. . . .

"Therefore, be it resolved that the Orange County Democratic Alliance has determined that the only reason for the existence of the . . . CED is to promote a Haydenistic . . . counterculture."

## Soviets, Heritage protest Space Shuttle

Amid international jubilation over the success of the maiden voyage of the Space Shuttle Columbia, a few unhappy souls remain vocal in opposition to the program.

The Soviet news agency TASS issued a propaganda barrage calling the Shuttle an imperialist tool of the military-industrial complex. "The Shuttle program," said TASS, "from the very outset has been practically completely subordinate to the Pentagon's interests. The U.S. military links the program to its far-reaching plans of projecting the arms race into outer space."

Joining with the Soviets in opposing the Shuttle program is the pseudo-conservative Heritage Foundation. In its Agenda for Progress, a report recently submitted to the President, Heritage opined: "An excellent illustration of the pitfalls of federal intervention at too low a level is the Space Shuttle. . . . The wisdom of this commitment is not clear. . . . In spite of the perceived wisdom that there is no turning back on the Shuttle commitment, the alternatives should be reviewed thoroughly and soon. Alternatives to be examined include the discontinuation of the Shuttle program."

## Briefly

● **GEORGE BUSH** attacked high U.S. interest rates as "unconscionable" three times in prepared remarks to the annual Republican Senate-House dinner in Washington April 7. Standing in for the President, Bush perpetuated the line, however, that budget cuts must be imposed "in order to bring down the interest rates."

● **MORRIS B. ABRAM**, a prominent New York attorney and promoter of euthanasia, says there should be "no opposition from the Reagan administration to a policy to allow terminally ill patients to forego life-sustaining therapy." Abram heads a Carter-established presidential commission on medical ethics which just completed hearings and claims a consensus for the "right to die." Abram complains that "medical care comprises 9 percent of GNP . . . way too high."

● **DEAN FISHER**, a State Department spokesman, was asked by *EIR* at a recent press briefing to comment on reports that the DOS is making policy decisions based on "a classified hit list" of countries judged unlikely to survive because of demographic pressures. On April 16, State posted an official reply stating that it is "not aware of the existence" of such a list.

● **JERRY BROWN** and environmentalist groups are costing California utility customers \$1 million daily by delaying the opening of the Diablo Canyon nuclear plant, charges Malcolm Furbrish, a representative of the Pacific Gas & Electric Company. The Nuclear Regulatory Commission has refused to throw out environmentalist objections to the facility, which "is ready to save the equivalent of 20 million barrels of oil a year," Furbrish said.

## Oil and the Outer Continental Shelf

*Watt's far-reaching decisions on oil resource development cause anguish among the greenies.*

The joint announcement in early April by Energy Secretary Edwards and Interior Secretary Watt to accelerate offshore U.S. oil and gas leasing should be hailed, together with the earlier decision from Watt's Interior Department to freeze signing of the draft treaty of the Law of the Sea. Though the one decision will not likely affect the other, both deal with the development of one of the world's potentially richest oil and gas regions.

First, let's be clear on what Watt and Edwards said on April 10. The government announced a plan to increase the number of proposed Outer Continental Shelf (OCS) lease sales during the 1982-86 period from 36 to 42, adding approximately 70 percent to total acreage available for exploratory drilling offshore. "We cannot know what domestic energy sources are available to us until we inventory the resources," DOE's Edwards declared, "and that means exploratory drilling in offshore areas."

Much of the increased leasing will be off Alaska, where drilling in the Beaufort Sea just east of the Prudhoe Bay has been going on for the last 18 months. U.S. Geological Survey estimates in that region alone calculate it "most likely" contains some 7.8 billion barrels of recoverable oil and 27 trillion cubic feet of gas.

The accelerated leasing program was coupled with a tactical deferral of a February announce-

ment by Watt on OCS Sale #53 off the California coast, beyond the three-mile limit. The deferral of the California sale leaves only the promising Santa Maria Basin up for bid next month. Although environmentally sensitive Gov. Jerry Brown's opposition to a larger sale was cited by some hopeful nongrowers, their glee dimmed when it became clear that Watt is making a more fundamental change in overall leasing policy along lines advocated in this space (*EIR*, March 10, 1981).

In announcing his decision to accelerate offshore availability, Watt sounded refreshing adherence to a higher principle; he declared that development of our scarcely explored offshore energy resources are an "overriding national concern" that transcends "parochial" opposition from state officials and environmental groups. It's refreshing that some people still read the Constitution these days.

This is a direct slap in the face to a "new" two-year study submitted to the Department of Energy and U.S. Geological Survey by Richard Nehring of the Rand Corporation. Nehring, who worked on the infamous CIA world oil assessment for the Carter administration, asserts, "We've found a lot of oil and gas in this country, but we've already produced most of it."

I will take Mr. Nehring's report on in an upcoming column, but for now, I want to focus on the offshore

development potential.

As the respected petroleum geologist Dr. Hollis Hedberg points out, our "principal hope for further major new domestic finds is in the offshore," and that of more than 1.7 million square miles of shallow and deep offshore land in our undisputed jurisdiction, we to date have barely leased 2 percent of this total. By contrast, at least until Prime Minister Trudeau's October 1980 expropriation program was announced, Canada had opened the entire Atlantic offshore, leading to drilling more than 200 exploratory wells before the U.S. had spudded one on its Atlantic offshore.

Dr. Hedberg has devoted considerable professional attention to the geological origins of petroleum. His conclusion, and that generally shared by Reagan energy strategists, is that petroleum formations derive in a complex manner from the geological remains of organic life, occurring throughout the world. Hedberg declares that "marine conditions appear to have produced the bulk of the world's oil." This underscores the importance of early and aggressive action on behalf of the secretaries of interior and energy to seriously expand access to our untapped offshore wealth.

As to the gaggle of harpies around the Sierra Club and so-called Friends of the Earth who are in apoplexy over fear of oil spills endangering their surfing beaches, with images of Santa Barbara in 1969 conjured up, Watt rightly answers that "Congress expected environmental protection to be achieved through sound planning and operating practices," rather than "closing of geographic areas to leasing and development."