

# EIR

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Financial warfare over OPEC prices  
Exclusive interview: Agriculture Secretary Block  
Haig's Third World 'population shock therapy'

**Terrorist assassins and  
the Socialist International**



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# EIR

## From the Editor

Within the space of less than a month, assassination attempts were made or uncovered against President Reagan, President Giscard of France, President López Portillo of Mexico, and Prime Minister Gandhi of India. Clearly, this is more than a freak epidemic of "lone assassins." It comes at a time, moreover, when an unprecedented insurgency has mounted against Chancellor Helmut Schmidt of Germany, Giscard's closest ally and potentially one of President Reagan's as well. The best elements of the Western alliance, and those leaders of the Third World most dedicated to industrial progress and war-avoidance, are under the gun.

Our Special Report this week, prepared under the direction of Counterintelligence Editor Jeffrey Steinberg, traces the escalation of political terror against these targets since Reagan's electoral victory, when the Socialist International announced an all-out campaign to destabilize him and his allies. It identifies the Socialist International's key assets, focusing on Libyan dictator Muammar Qaddafi, on the support networks that have legitimized the terrorist M-19, and on organizations like Amnesty International, which did so much to impose the Ayatollah Khomeini on Iran.

Our International section presents an intelligence picture of the Socialist International's effort to jacobinize France and submit Italy to a new Mussolini.

In Economics, you'll find a detailed analysis of the Eurodollar operations behind the bulge in the U.S. money supply, and the illiquidity crises that prompted those operations. There is also an exclusive interview with U.S. Agriculture Secretary John Block, who outlines the administration's growth policy.



# EIR Contents

## Departments

### 12 Science & Technology

NASA and fusion energy program still on the budgetary hit list.

### 42 Dateline Mexico

The slow growers take it on the chin.

### 43 Middle East Report

Behind the crisis in Lebanon.

### 59 Eye on Washington

### 60 Congressional Closeup

### 64 Energy Insider

An alternative to the strategic reserve.

## Economics

### 4 A brave new world of financial decontrol

"The decontrollers and the proponents of credit controls are the same people," writes David Goldman.

### 7 Agriculture Secretary Block foresees U.S. farm export push

Susan B. Cohen held this exclusive interview in Washington, where Mr. Block described his aggressive view of the department's role.

### 10 Warfare over oil prices

The new interest-rate rise will reduce petroleum demand further: was it engineered to undercut the Saudi move to bolster the world economy?

### 13 Currency Rates

### 14 Banking

Volcker and variable mortgage rates.

### 15 Foreign Exchange

New central bank actions threaten DM.

### 16 Domestic Credit

Toward permanent unemployment.

### 17 World Trade

### 18 Business Briefs

## Special Report



Sigma

### 20 Assassinations, terrorism, and the Socialist International

An overview of the concerted escalation against world leaders since Ronald Reagan assumed the U.S. presidency.

### 24 How Libya's Qaddafi spurs terror on both sides of the Atlantic

### 28 Colombia's M-19 terrorists promoted by Socialist International networks.

**Documentation:** Literary celebrity Gabriel García Márquez's support for the M-19.

### 31 Amnesty movement set up by Britain

## International

### 32 Socialists in Italy produce another Duce

Milan bureau chief Muriel Mirak's blow-by-blow account of Socialist leader Craxi's new move for power—in historical perspective.

### 34 The fate of France is at stake in the second-round fight for the presidency.

### 36 Giscard is the only choice for France

A statement by EIR founder Lyndon H. LaRouche, Jr.

### 39 Broad agreements reached between Bonn and Riyadh

Schmidt's trip to Saudi Arabia.

### 40 Fabian peace groups plan political attacks

A report on a disarmament strategy session in Holland.

### 41 U.S. investors have new opportunity

The state of Sonora in Mexico: four key economic sectors looking for input.

### 44 International Intelligence

## National

### 46 Reagan strengthened: key decisions yet to come

Richard Cohen reports from Washington on the budget, the AWACS decision, and the little-known war-on-drugs announcement by Edwin Meese.

### 48 'Population shock therapy' for the Third World: Haig's RAPID program

The State Department is conducting an Orwellian psychological warfare campaign against Third World officials.

### 50 Origins of Global 2000: a map of depopulation warriors in the U.S.

Every decision maker should be familiar with this history.

### 56 A Big MAC for every city?

Stephen Parsons' report on how the city governments of Boston, Chicago, and Philadelphia have been boxed into unnecessary austerity.

### 62 National News

## A brave new world of financial decontrol

by David Goldman

Half a year ago *EIR* surveyed the argument of banking decontrollers that the world money markets were moving out of the control of any central bank, and that this presaged a terrible period of financial and economic dislocation. The first quarter's monetary results show that this regime—the integration of the uncontrolled Eurodollar market with the domestic money markets—already prevails. Already the American financial system is feeling the effects of the transformation in a number of ways, the most immediate of which is the present rapid increase in both long- and short-term interest rates.

An accompanying graph shows narrowly defined money supply (“M1B”) during the past six months. Note the spectacular increase in the growth rate since December 1980, to a per annum rate of growth in the most recent four-week period of over 16 percent. Two aspects of this are important.

First, the American economy avoided a *sharp drop* during the first quarter *only* because money supply grew out of hand. Despite the reported 6.5 percent rise in “real GNP,” due to juggling of inflation indices and so on, and the 1.4 percent rise in the March “index of leading indicators,” based on oil price increases, the economy remained *dead flat* in the first quarter. To do so while the prime lending rate stayed close to 20 percent required an extraordinary volume of money-supply increase, to circulate a debt service bill that rose to above half of corporations' gross internal funds. *EIR* will analyze this in detail in an upcoming survey.

Second, the money-supply growth during the first quarter occurred while all domestic sources of money supply either fell substantially (bank loans) or remained virtually unchanged (total Federal Reserve credit, bank reserves, and monetary base). For the first time, a major spurt in monetary growth came from the *Eurodollar market*. Part of this showed up in the first-quarter banking numbers, in the form of a \$3 billion rise in U.S. corporations' borrowing from foreign banks (mostly foreign offices of U.S. banks) of \$3 billion, while loans from U.S. banks fell \$5 billion. Most of the Eurodollar inflow, however, took the form of U.S. corporate subsidiaries borrowing abroad, sending the loans home via leads and lags in payments, for deposit in the domestic banking system.

As it normally does, the Federal Reserve waited for a visible provocation—the rise in M1B—to lower the monetary boom. Attacks on the Fed's monetary course by Treasury Secretary Donald Regan and Undersecretary Beryl Sprinkel amount to “a lot of support for a tough monetary policy from the administration,” a former Treasury Secretary told *EIR*.

The markets have taken the message clearly, in any event. Michigan Bell's failure to market more than two-fifths of an April 28 \$250 million bond issue at a record 15¾ percent interest rate, and the April 29 move of major banks to an 18 percent prime rate, are the beginning of an interest-rate run up which will take the prime rate above 20 percent within the next two months, and

possibly much higher. Barring a change of heart over monetary policy at the White House, this new round of tightening will sink the economy before the end of the second quarter.

Otherwise, Treasury Secretary Donald Regan has revised the legend of the little Dutch boy, and placed dynamite against the leaky dike. In testimony before the Senate Banking Committee April 28, Regan said, "The administration and the Congress share the responsibility to resist protecting the parochial interests of some institutions. We must place greater reliance on market forces to determine the character and structure of our financial system." This means that "at some point all the institutions must have the same powers to perform the same types of business. . . ."

Senate Banking Committee Chairman Jake Garn will block some of Regan's ideas, such as fish-in-a-barrel takeovers of troubled savings and loan institutions by commercial banks, and especially takeovers across state lines. But he wants to remove present ceilings on the interest rates that the S&Ls may offer on their deposits. In March the S&Ls lost a record \$2.7 billion in deposits, mostly to the growing money market funds managed by brokerage houses, which invest (reserve free) in large-denomination, high-interest paper and offer substantially higher rates of return. The Garn proposal (see Banking) would help the battered S&Ls survive the new interest-rate escalation, but transform them into adjuncts

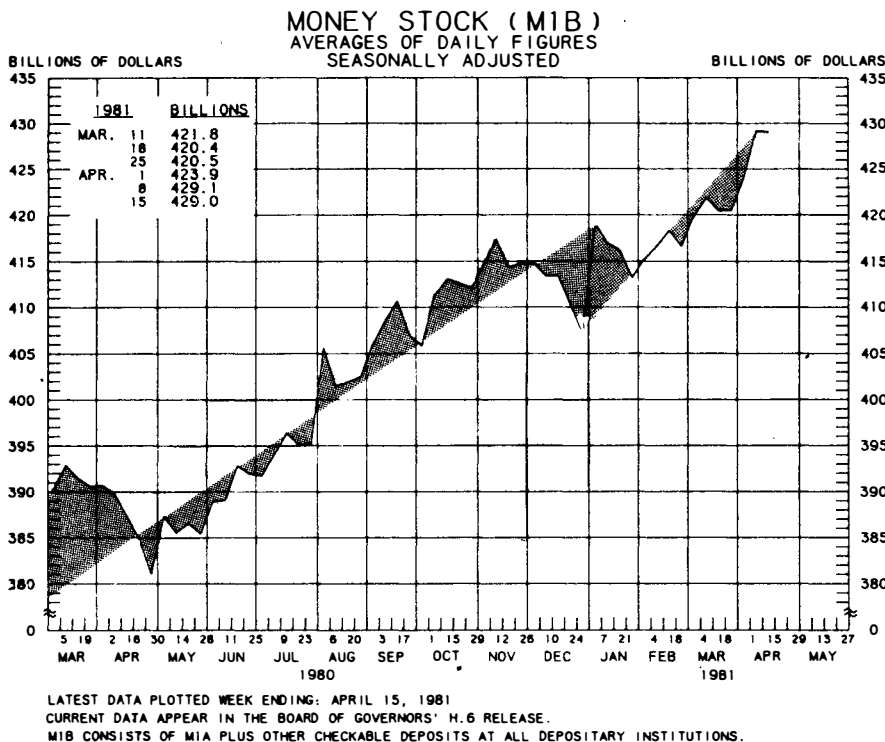
of the money market funds in the process.

The Eurodollar flow, unfortunately, works two ways. Here is how a former top American monetary official describes the predictable results of the banking deregulation now in progress:

"What we have now is a free-for-all. Interest rates have been totally deregulated. In the U.S. under the Monetary Control Act [of 1980, last year's Reuss-Proxmire banking deregulation bill], interest rates are now being shuffled around by everybody and his brother. As it stands now, the commercial banks can do whatever they want with interest rates, and they can do whatever they want with inflation, which is behind the interest-rate problem, because they are making loans around the world and moving money around at a very inflationary rate.

"Furthermore the banks are now moving to do whatever kind of banking they want around the country. And the entire financial system is being shifted internationally. We're undergoing a minor revolution in finance.

"For example, the recent mergers of Bache into Prudential Insurance and Shearson Loeb Rhoades into American Express will create new types of financial institutions whose impact on the money markets will be imponderable. Think of the amounts and sorts of funds they will be able to move around. These new parameters will create outlandish fluctuations in interest rates here



*The accompanying graph, provided by the St. Louis Federal Reserve Board, shows a doubling of the rate of money-supply growth starting in December, 1980. On May 1, the Federal Reserve announced a further \$4.2 billion rise in the money supply (M1B) for the latest reporting week, extending the trend. The money-supply explosion is a "perverse effect" of high interest rates; it has created a self-feeding spiral characterized by rising credit costs and persistent increases in money supply. On May 1, Irving Trust of New York raised its broker loan rate to 20½ percent from 18 percent, signaling a probable advance in the prime to at least 21 percent.*

and abroad.”

The speaker, who was in financial press headlines during a 20-year official career, declined to be identified, but the judgment is by now fairly commonplace. Apart from the implications for market instability, the importance of this *structural shift* has not been lost on banking officials who are concerned with the liquidity of the international markets. However illiquid the domestic money markets are, the Eurodollar market they are merging into is *less liquid still*, due to the enormous deficit position of the non-oil-producing developing countries. This is estimated at between \$60 billion (OECD) and \$100 billion (Bank of America) for 1981, and requires massive new financing for countries whose total external debt, public and private, now exceeds \$500 billion.

The Group of 30, an economists' and bankers' panel chaired by former International Monetary Fund managing director Johannes Witteveen, is about to release a study of the Third World debt problem. Witteveen told a London press conference in mid-April that the rise in U.S. interest rates endangers the finances of the developing countries, whose debt service rises by about \$3 billion for every 1 percent rise in interest rates.

Warns Princeton University economist Peter Kenen, chairman of the Group of 30's Academic Panel, "I'm surprised that a crisis hasn't already broken out." "The key to the whole system," he adds, "is how a shock spreads through the interbank market," the half-trillion dollars of short-term loans between banks at home and abroad. Kenen explained, "The Bank for International Settlements is working on three scenarios. First, you can step in and deal with a moratorium on debt payments at the country level, which the Bank for International Settlements now does [as in the case of the recent four-year rescheduling of Poland's debts—D.G.]. Second, if some developing country is in real trouble, and, by implication, banks holding its paper are in real trouble, you can go to the aid of the banks. Third, if some banks have made a bad mistake, you can let them take the consequences, and set the line at the interbank market," by preventing a collapse of one bank from triggering a domino-style run of others.

The Group of 30 economist concluded, "The thing that makes any of these options work is to broaden the base of the interbank market, linking up the domestic interbank market with the Eurodollar market. We practically have a single interbank market now, and the linkup between Fedwire [the domestic electronic funds transfer system] and CHIPS [Clearing House International Payments System, the electronics funds transfer system for the foreign operations of New York banks] will make it a single market."

On Oct. 1, 1981, or slightly later, the Federal Reserve expects funds transfer system into the international CHIPS

system, which now clears \$180 billion *per day*. This link was the leading demand from regional banks, who demanded instant access to the international markets through the CHIPS computer in return for acquiescing to the New York banks' proposal for reserve-free "International Banking Facilities" onshore. This means that American regional banks, savings banks, and other newly deregulated institutions will be able to place funds overnight at higher prevailing rates in the international market as easily as they can now invest in American short-term markets.

*The Treasury's deregulation plan effectively opens up over \$1 trillion of U.S. banking assets to "broaden the base of the interbank market," per the requirements of the Swiss-based Bank for International Settlements.*

### **A shift back to controls?**

British and American monetary planners are confident that the monetary whirlwind they have unleashed has knocked down official French and West German proposals for a global reduction of interest rates. "Chancellor Schmidt and President Giscard want a controlled market," said the monetary official cited earlier, "but for the moment the free market people will win, because we don't yet have the machinery to control these international markets. The international arbitrage and interest-rate fluctuations going on cannot be controlled. And as electronic funds transfer systems are expanded, the market will get more and more out of hand. They can't control them. Eventually, however, Schmidt and Giscard are right—we will have to have some sort of central bank machinery put into place. The central banks will have to get control over the international markets."

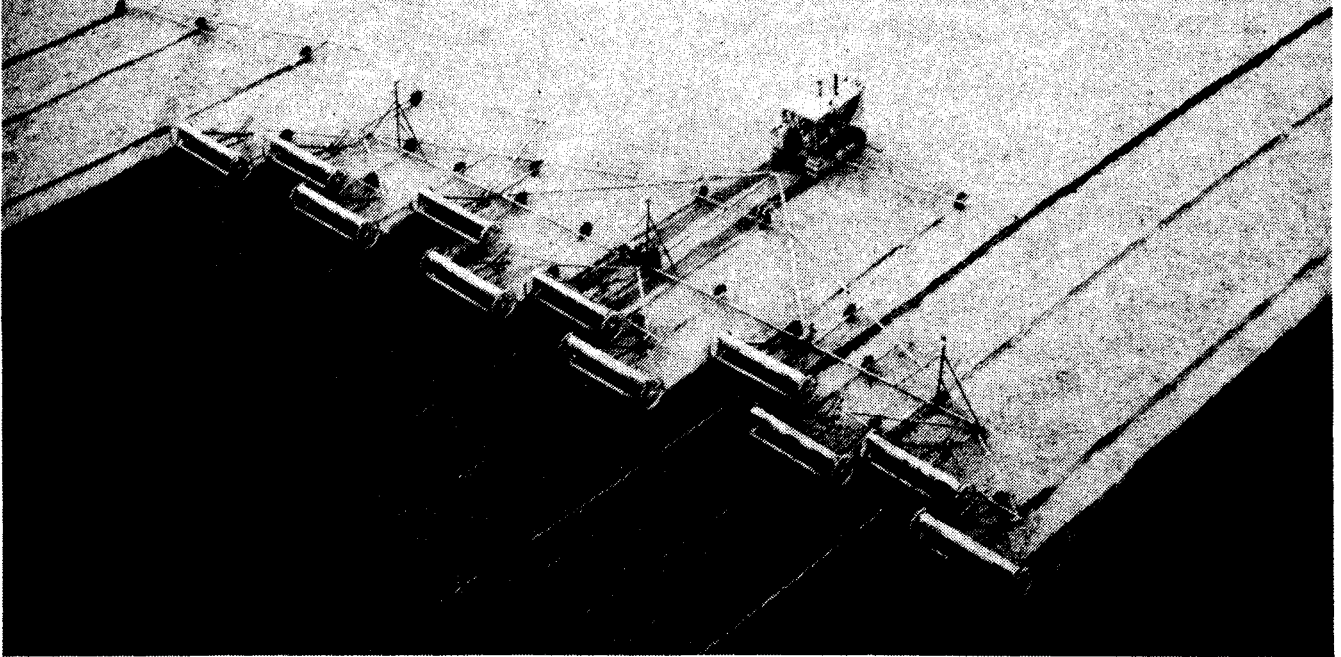
The deceptive feature of this discussion is that the decontrollers and the proponents of controls are the same people, i.e., the Bank for International Settlements colloquium of central bankers. Some monetary officials, including former Federal Reserve Board Chairman William McChesney Martin and ex-Bank of Italy official Rinaldo Ossola, now argue for a return to some form of gold standard, in the form of a link between gold and the International Monetary Fund's "basket currency," the Special Drawing Right.

Inside the Reagan administration, a "gold lobby" formed in March on the inspiration of proposals from the old "Siena Group" of economists, including supply-side theorist Robert Mundell of Columbia University, Italian banker Ossola, and Securities Group economist Eugene Birnbaum (see *EIR*, March 24, 1981). But the various controls plans offered by these economists, with the backing of the so-called supply-side group inside the Reagan administration (Jack Kemp, Treasury Undersecretary Norman Ture, Assistant Secretary Paul Craig Roberts), are disingenuous. They imply as a precondition the type of market reorganization now under way.



Exclusive Interview

# Agriculture Secretary Block foresees U.S. farm export push



Agriculture Secretary John R. Block granted this exclusive interview to *EIR* Agriculture Editor Susan B. Cohen on April 23 in Washington, D.C. as rumors multiplied about President Reagan's yet-to-be-announced decision to terminate the grain embargo. Secretary Block, who had worked, talked, and fought for months publicly and privately to have the ban lifted, joined his "no comment" on the matter with a broad smile that said almost as much as the enthusiasm and confidence with which he proceeded to discuss plans for expanded farm exports.

Secretary Block, who has premised his strategy for restoring farm profitability in part on expanded exports, was secretary of agriculture for the State of Illinois for three years before being appointed by President Reagan to head the Department of Agriculture. A graduate of West Point, John Block is a successful farmer who built a 300-acre farm in southern Illinois into a 3,000-acre hog, corn, and soybean operation.

**EIR:** There's one question I have to ask, and it's one you expect: the press is full of rumors that the embargo will be lifted tomorrow, and I must ask your views on that.

**Block:** I just am not going to comment on the grain embargo issue today. Sorry.

**EIR:** As I said, it's an obligatory question. But what I really want to get into is the question of exports and export-market development broadly. That's one of the things you've emphasized very strongly, and certainly your experience at the helm in Illinois makes you quite familiar with the ropes in terms of export market development. What plans do you have for export expansion? I know you have an upcoming European trip, and maybe you could comment on that also.

**Block:** Well, we have some very ambitious plans in terms of expanded exports. We have a product in the United States that's competitive worldwide—our farm products. And even in our budget considerations, we've favorably treated commercial export budgetary issues with more money to expand our efforts to sell our products. And we're working right now—they need some greater detail—on some of the specific efforts we intend to make to expand exports, since just talking about that is not good enough. We need to produce, and we intend to work at producing in this area. And of course the trip to Europe, to the World Food Conference, and then the subsequent meetings with some of the major members of the European Common Market—realizing of course that the European Common Market is our largest single custom-

er when you put the countries all together, and we'll be talking over trade issues, trade considerations—is part of the overall effort to do this. But just part, because this world's big. We have big customers in the Far East and a very, very large customer on our southern border—Mexico.

**EIR:** I wanted to discuss Mexico specifically. President Reagan has taken the initiative to launch a new relationship with Mexico. There's an upcoming meeting with President López Portillo, and certainly agriculture will be very important there. I understand you will accompany President Reagan.

**Block:** This is possible. That is not absolutely certain. But because of the agricultural exports to Mexico, and their desire to talk with us about future supplies of farm products, it may well be that I will be with the President. But—at one time it looked like we had it all set but, because of the assassination attempt, now we don't know the timing and what kind of a schedule we'll work out.

**EIR:** I know the department has been participating in an interagency effort in preparation for the trip. Have you made any specific proposals?

**Block:** We're working with other agencies, but we have not presented any proposals to Mexico for them to look at. We're at the developmental stage right now.

**EIR:** From discussions with colleagues in Mexico, I know that they're interested, in addition to food imports, in the range of American farm-food technology and knowhow.

**Block:** We *definitely* look forward to working closely on a mutual-exchange basis with Mexico on technology in agriculture, on common concerns of pests, insects, animal health—all are a major concern to us because of their close proximity to our country and the great amount of trade between the two countries, the people that travel back and forth, the livestock that's transported over the border. It's very important that we work together on all of these different issues.

**EIR:** The development of trade relations with Mexico can set the pace for a new type of economic relationship with the developing sector countries. What ideas do you have in terms of broader Third World market development problems?

**Block:** I think there's a great opportunity in the developing countries and in countries that are nearly developed that have a way to go. In Latin America we have many countries there that I think could be good customers of ours in future years. In the Far East we've been successful in developing some important markets—just as an example, Korea and Taiwan have been tremendous markets for us. And there'll be new ones and more in the future.

**EIR:** What do you envision will be the main programs through which these will take place? PL-480 was focused on heavily because of the budget cuts—maybe you could situate PL-480 in terms of the broader scope of programs.

**Block:** Well, our major thrust will be for commercial markets, and we can accomplish this by our Foreign Agricultural Service efforts, our agricultural attachés,



Secretary Block

our trade offices that we have authority to open. I think we have nine open now and we're looking to open two more this year, and will continue to work these into our program of promoting exports for the United States.

Our emphasis on exports, as we work with the companies in the United States in an effort to get involved in sales abroad, is accompanied by a government-wide

effort to reduce red tape and some of the regulatory stumbling blocks that exist, maybe not so much in agriculture, but in commerce and other places. We're working at the cabinet level, in close harmony and agreement—Commerce, U.S. Trade Representative, Agriculture—all together trying to reduce these impediments to export trade. This in itself can get more companies involved in trading and selling abroad, and can be a major factor in expanding our export markets.

**EIR:** You addressed a meeting of agribusiness people interested in the investment potential in Nigeria. Do you have any specific ideas in terms of the continent of Africa? Nigeria, of course, is a wealthier country, but many of the other countries are in desperate need of food and farm production knowhow.

**Block:** Well, some of these cases have to be treated differently. In some cases, such as Nigeria, I think we have a splendid effort between our Foreign Agricultural Service and the private sector in our country—private companies jointly going in there to work together to expand opportunities to sell our products. But they have an advantage, they are going to have the money to buy them.

What you're pointing out is that there are countries that don't have. Under these circumstances our main thrust of expanding commercial exports is one thing, that's to create jobs in the United States to strengthen our economy. But for those countries that can't buy, or can't easily buy, then we approach it with humanitarian considerations as much as anything. And PL-480 does provide some assistance there, and of course, through the United Nations funds and efforts, and private organizations. But you're getting into something entirely different there. It's not something we're insensitive to; we

**EIR:** Is there any thinking in the department now to consider these types of cases in terms of long-term investment? That is, food investment, and agricultural infrastructure investment, in the context of a broad industrial development plan for the given country.

**Block:** Well they *do* pose a long-term investment opportunity for us. We've done this in the past with countries that have ultimately become tremendous customers of

I mentioned some; Korea, Taiwan are just examples, but there are many more. And some of the countries we're talking about could fall into that category—countries like this that started out under PL-480 assistance programs. And they developed an appetite for what we had to sell. We were able to strengthen their economies, they started some industrialization. So it's part of the overall plan and program. It's not so new, but we certainly recognize past successes and want to take advantage of them, and perpetuate future successes along the same lines.

**EIR:** One of the things that comes up with discussion of market expansion in the Third World is the recently fashionable argument that Malthus was right, that there's going to be famine, that it is impossible to feed all these people. Certainly American agriculture is living proof

as an advocate of American agriculture, taking an educational role in this light?

**Block:** I think we will serve in an educational role. I think, almost to the man, the Department is going to be a walking, preaching evangelist for agriculture, for the contribution the industry makes and can make to the future of the United States and other countries that need what we're raising and, indeed, to the stability and peace of the world. This is a message we're going to be passing on at every opportunity.

And I certainly don't buy the idea that we're going to have famine in a year or two, or three, or five, or ten. We could—anything can happen—but we could once again be buried in surpluses, too. So I think it's something that you can write about—you know, conjecture is easy to come by. But given stronger commodity prices, there's a great amount of land in the world that can come into production; not that we have it all. We could bring some additional in, too. We're certainly not farming the United States nearly as intensively as Europe is farming their land, or Japan, which in itself is telling us there's a lot we could do if there was adequate incentive to do it. And we don't want to do it until the times comes, until the monetary incentive is there. But once it's there, we can rise to the occasion, and certainly will.

**EIR:** That gets into another area you have emphasized greatly. Everyone was happy at the one bright spot in the

budget, agricultural research. Could you explain your views on the importance of agricultural research, why you felt it was imperative to strengthen the budget in that respect?

**Block:** I think it's important, simply because here we on one hand talk about the demands that are going to be placed on this production plant of ours in the United States—and I think they're going to be substantial. Like I said, we're going to be up to meeting those demands, but we need to plan ahead. And part of planning ahead is having adequate research, developing new technologies for seed, fertilizer, machinery, equipment, production technology, as well as marketing technology, new uses for our products. I don't expect government to do it all. But we need to do our share.

Private industry has and will continue to do a large amount of the research. Along this same line are the educational programs that come through our extension service. We talk about meeting these demands, but as we farm this production plant more intensively, we need to have better education and understanding on how to manage this production plant so that we won't suffer excessive soil erosion, and losses, and in order to preserve it for future generations. The whole thing ties together, and that's one reason I feel it's essential to put emphasis on research and education: in order to be prepared to meet the demands of the future.

**EIR:** My observation is that that is what has made American agriculture so unique: the combined research/education aspect of it, which, of course, the Lincoln administration set up. I wonder if you have any thoughts on whether the success of the Space Shuttle may help get the Landsat agricultural applications moving again?

**Block:** I don't have any details. I am aware of the very useful detailed information we could get from that. And I'm also convinced that the successful space trip is going to add a new dimension that we haven't had in the last 8 or 10 years in space. So it may give us all a boost here.

**EIR:** The last question I would like to ask is your view on what you will do with the Department that's different. You are the first real production man this Department has had for some time, and there are many people who are really counting on you.

**Block:** I would prefer to leave that to all the people that continually serve as critics of the United States Department of Agriculture—as they should. My intention, of course, is to safeguard the broad interests of agriculture in the halls of government, and promote and work for prosperity in the agriculture industry, and serve as an effective advocate of agriculture. Someone else is going to have to be the judge.

**EIR:** Thank you very much.

# Warfare over oil prices

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*Unless demand increases, reports Judith Wyer, the 'glut' can mean triage of refineries and some producers.*

Speaking before a closed-door seminar last week at Harvard University, Saudi Arabian Oil Minister Ahmed Zaki Yamani forcefully reiterated the message he came to the United States to deliver: world oil prices must come down. Yamani told a select audience of bankers and oil company executives in no uncertain terms that Saudi Arabia intends to revive world consumption of oil by forcing down oil prices.

A source present at the meeting reported that Yamani insisted that Saudi Arabia intended to use its massive oil producing capacity to pressure OPEC to lower contract price of crude from as high as \$40 a barrel to Saudi Arabia's \$32 a barrel price. "Yamani wasn't kidding around," observed the source. "What he is asking OPEC to do, it has never done before; we've seen some shaving of surcharges, that is going on now. But never has the cartel actually lowered contract prices. Yamani thoroughly believes he can stimulate world demand of oil by this maneuver."

The response from Wall Street to Yamani's bid to stimulate an industrial recovery was not the enthusiasm one would expect. Within 48 hours of Yamani's speech, a number of New York oil analysts were retailing the evaluation that Riyadh's bid to stimulate world oil demand by lowering prices had little chance of success.

This was underscored by a move by several large banks to raise interest rates again.

It is no coincidence that right at the point when oil prices began their descent, Federal Reserve Chairman Paul Volcker, in tandem with the largest American banks, decided to take the lid off interest rates. The renewed climb of interest rates will act to dampen any prospects for stepped-up oil demand, by preventing badly needed capital formation for expanded industrial and agricultural output.

The interest-rate boost is aimed at steering Saudi Arabia's policy of record high production in a direction diametrically opposed to stated Saudi objectives. Volcker's action is motivated by a policy articulated by the New York Council on Foreign Relations *Project 1980s* studies, which calls for a "certain amount of controlled disintegration" of the world economy—studies Volcker helped to coordinate. The CFR report is a blueprint for

a postindustrial society. Volcker and his allies in the boardrooms of the multinational oil companies plan to rationalize vast sections of both the oil-producing sector and sections of the so-called downstream oil process business. This plan is based on keeping world oil consumption depressed while Saudi Arabia continues to export record high levels to expand the glutted oil market. Under these circumstances, massive rationalization can take place.

## **The element of risk**

According to the strategy spelled out by Yamani, Saudi Arabia will maintain its record level of oil exports, now at about 10.3 million barrels a day, in order to flood an already glutted world oil market. With current demand continuing to slide, Riyadh calculates that it can force its fellow OPEC producers to cut prices, if they want to continue to sell crude.

But if oil demand does not take a substantial upturn, Saudi Arabia could be in trouble. A source at a Solomon Brothers investment bank observed, "There is an element of risk in what Saudi Arabia is trying to do. If it continues to pump out all that oil into a glutted market, and demand stays flat, then a number of OPEC countries that can't afford to drop oil income will be hurting. They are going to resent what Saudi Arabia is doing. They could get behind Libya and make trouble for Saudi Arabia. The whole thing could get very messy. Countries like Indonesia, Nigeria, and Algeria with large populations and ambitious development plans would be in big trouble."

A number of influential New York bankers echoed this bloodcurdling scenario. Circles close to the U.S. Federal Reserve predict that Indonesia, Nigeria, Ecuador and Algeria would be eliminated as oil exporters. This idea coheres with the policies of the Global 2000 study originated by the Carter administration and now supported by Secretary of State Alexander Haig and Volcker, policies that aim to eliminate 2 billion people from "the overcrowded earth" by the year 2000. Indonesia and Nigeria, which jointly have a population of well over 200 million people, are special targets of this brutal genocidal policy. They are also critical catalysts

for the development of Southeast Asia and black Africa.

The World Bank has already begun to pressure Indonesia to make painful cuts, including eliminating all fuel subsidies in order to "prepare for the future loss of its oil markets."

Both countries are engaged in massive natural gas projects to supplement future income as oil revenues wane. But a source with the Maryland-based Energy Futures Group was pessimistic that they would meet their expected income from natural gas, since it is expected that fairly soon there will also be an oversupply of natural gas, which could leave these countries with large debt service to pay on projects which will not pay for themselves.

A New York oil analyst warned that "if trends in the market continue along the same course, this could spark the breakup of OPEC. . . . I don't mean that in the way it is normally referred to in the *New York Times*, I mean that certain OPEC countries who aren't as rich as Saudi Arabia will simply break up under the pressure of diminishing oil income."

### **Rationalizing refineries**

Within the oil industry in the industrial sector, the same process of junking "unnecessary" refinery and transportation capacity is occurring. This rationalization process is particularly striking within the United States which has had the greatest drop in oil consumption of any advanced country. The current mothballing of refineries is putting the U.S. economy into a mode which is aimed at ensuring that it remains in a virtual zero-growth state.

Over the last three years U.S. oil imports have dropped from 6.6 million barrels a day to the six-year low of 3.8 million barrels a day. Even discounting a small jump in domestic crude output and a modest conversion to coal and gas for power generation, the picture of U.S. energy consumption is dismal. In the last year and half U.S. gasoline consumption has dropped by 11 percent.

As a result of the depressed market for petroleum products, in the last 12 months the American oil industry has seen a spate of refinery shutdowns. As of April, 336,000 barrels per day of refining capacity was on the auction block. Though this is still a small percentage of the total of 18.5 million barrels a day of U.S. refining capacity, the closures are expected to continue.

The London-based *Petroleum Economist* last month estimated that as many as 50 American refineries could permanently close because of the depressed state of American oil consumption. The total number of American refineries is just over 300. The bulk of the closings are expected to occur in the Gulf of Mexico area, since these refineries were built before the Nixon administration lifted the oil import quotas in 1971, and were

geared to take high-quality Texas light crude.

The American Petroleum Refiners Association reports that 10 of its 60 members have shut down their refineries. Whether the closures are permanent is not yet certain. Clearly American refineries need a rebound in oil demand as badly as does Saudi Arabia.

Now that the Reagan administration has decontrolled all domestically produced crude prices, and removed all subsidies to independent refineries, they can no longer realize a profit. With petroleum product inventories brimming and nobody buying, they had no choice but to close up shop. Last month U.S. refinery utilization had dipped to a record low of 67 percent.

Unlike the small refineries, the major oil companies have the profit margin to rationalize some of their own refinery capacity and convert much of the remaining capacity to distill low grades of crude, known as heavy oil.

A number of major oil companies have registered either substantial declines in profitability for their refining and transportation operations or even a loss for the first quarter of 1981. Most dramatic was Standard Oil of Indiana, which showed a loss of \$208 million in its downstream division. But what the headlines failed to report was that after declining profits or losses in this area of the total operations, profits otherwise continued to climb. The major oil companies can in fact write off their losses against other more profitable ventures in their integrated systems.

Up to \$60 billion will be invested by the majors in retooling their refineries to take heavy oil. Gulf Oil recently announced that it would put up \$500 million for such reconversion while it is also studying the option of mothballing more refineries. In recent months Gulf has shut down two refineries in Toledo, Ohio and Venice, Louisiana. Chevron Oil is now studying the prospects for rationalizing some of its refining capacity, and like Gulf, has already invested hundreds of millions for conversion of California refineries to distill heavy oil. Atlantic Richfield recently shut down four refineries, and Sun Oil just put two of its Texas refineries up for sale.

The multis' rationalization policy is coherent with Federal Reserve Chairman Paul Volcker's program to force consumption cuts. By moving aggressively into heavy oil, the major oil companies are adopting a policy just as wasteful as the fanciful flight into exorbitant synthetic fuels. Not only is it a needless expense to reconvert refineries to take this sludge, but the refining cost is also much higher than refining crudes within the medium and light range of viscosity.

The smaller refiners cannot afford this expensive conversion process. They, like the rest of the American economy, could only benefit from the pledge Sheikh Yamani made last week.

# NASA and fusion energy program still on the budgetary hit list

by Robert Zubrin

Despite the tremendous national enthusiasm generated by the success of the Space Shuttle, the end of April saw the budgets for the National Aeronautics and Space Administration (NASA) and fusion research still very much up in the air, with an imminent prospect of possible cuts in these areas to funding levels well below even the meager amounts doled out by the Carter administration.

The Democratic-controlled House Space Science and Applications Subcommittee under the leadership of Rep. Ronnie Flippo (D-Ala.) has already marked up the NASA budget without restoring a cent of the \$600 million that Office of Management and Budget (OMB) Director David Stockman cut from the Carter NASA recommendations.

Instead, Flippo's committee opted to simply rearrange enough small change below the Stockman ceiling to keep some of NASA's space exploration programs alive on paper. The House Energy Research and Production Subcommittee, headed by Rep. Marilyn Lloyd Bouquard (D-Tenn.), has similarly capitulated to budgetary austerity by merely adding on \$15 million to Stockman's \$460 million for fusion, arriving at a figure well below the barely adequate support level of \$525 million originally recommended by Carter. According to various fusion specialists, this \$50 million cut would basically put the whole program "on hold"; it deletes the funds required for construction of new, larger test machines for more advanced experiments.

On the Senate side, things look only slightly better. The GOP-controlled Senate Science, Technology and Space Subcommittee, led by former astronaut Harrison Schmitt (R-N.M.), voted in a nonbinding resolution on March 15 to restore \$178 million of the NASA cuts. Since that time, however, Schmitt has come under strong OMB pressure to go along with Stockman's austerity policy, under the guise of "unity behind the President." Aides preparing the committee's budgetary options say it is now an open question how much Schmitt will attempt to restore when the committee concludes its actual markup by May 15. The prospects for even the

\$178 million restoration are said to be remote. This either puts into question or postpones NASA's participation in the Solar Polar mission, the Halley's Comet mission, the Venus Orbiting Imaging Radar, and the Solar Electric Propulsion System, to say nothing of aborting any step toward such projects as a large permanent space station, fusion-powered rockets, or an unmanned Mars landing and return.

The Senate Energy and Natural Resources Committee headed by James McClure (R-Id.), and its Energy Research and Development Subcommittee, whose chair is Peter Domenici (R-N.M.), have already agreed to accept the \$13 billion overall ceiling recommended by Stockman on energy spending. They have not yet agreed on any specific apportionment of those funds. Last year, both McClure and Domenici were cosponsors of the McCormack act which, as passed and signed into law, established a major program to build a fusion test reactor by 1990 and develop commercial fusion by the year 2000.

Many fusion partisans are hoping McClure and Domenici will use their control over this \$13 billion to restore at least the \$65 million Stockman deleted from Carter's fusion budget by taking it from the approximately \$10 billion Stockman has allocated for non-nuclear energy programs. Domenici has scheduled hearings before his subcommittee for April 30 through May 9. Testimony will come from Alexander Glass of KMS Fusion and Harold Agnew of General Atomic, formerly of Los Alamos Lab, among others. Both Glass and Agnew are certain to strongly advocate restoring the fusion budget. Should Domenici decide to restore the funds, his chairmanship of the Senate Budget Committee will enable him to make the decision stick.

However, if Domenici does not come through, the prospects for fusion do not look good. With the post of White House science adviser still vacant, administration science policy is effectively being made by David Stockman's assistant OMB director for energy, science and technology, Fred Khedouri. Khedouri, whose wife is a "soft energy" aide to arch-environmentalist Congress-

man Richard Ottinger (D-N.Y.), has called the McCormack act "a lot of baloney on a piece of paper" (see below). "Just because they authorized the money doesn't mean we have to ask for it if we don't want to," Khedouri muttered.

It would be ironic if President Reagan, who in his April 28 speech before Congress pointed to the Shuttle as an inspiration "to reach beyond the commonplace and not fall short for lack of creativity or courage," should allow his science policy to continue to be determined by voices such as these.

*The following interview with Fred Khedouri, the Assistant Director of OMB for Energy, Science, & Technology, was made available to EIR by an investigative reporter.*

**Q:** I understand that the purpose of the budget cuts is to stimulate the economy. The other day Senator Heflin [D-Ala.] quoted Chase Econometrics as saying that every dollar spent on NASA has produced a \$7 return in economic growth. Wouldn't it be more consistent with the recovery goal to expand NASA's funding, instead of cutting it?

**A:** Using that logic, you might as well put the whole budget into NASA. There is a limit.

**Q:** But in light of the success of the Shuttle, hasn't there been any move to reconsider and restore the NASA cuts?

**A:** The Shuttle is adequately funded. We didn't cut anything from that.

**Q:** Not from development, perhaps, but how about for operations? There are many people who want to use the Shuttle to build space stations, and other missions.

**A:** Look, the fact that the Shuttle flew once and landed is meaningless. Working once is one thing, but the real test will be when we see if the Shuttle works thirty, forty or fifty times. You have to get a sense of what the refurbishment costs will be, which can only come after many, many test missions, before we start any big projects using the Shuttle. So we'll just have to wait.

**Q:** What about the cuts you've made in future energy supplies like fusion?

**A:** We only did minor reductions in fusion.

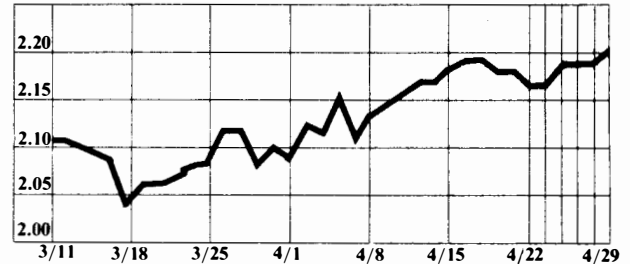
**Q:** But wasn't there a bill passed last year that mandated an increase in fusion funding?

**A:** You mean that McCormack bill? Well just because they authorized the money doesn't mean we have to ask for it if we don't want to. That bill was one of these Mike McCormack things where you put a lot of baloney on a piece of paper and expect it to translate into breakthroughs. That bill was useless. It didn't add a thing to our knowledge.

## Currency Rates

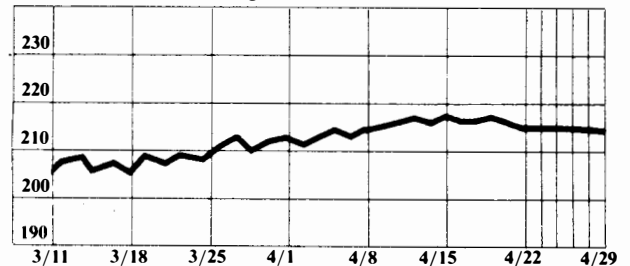
### The dollar in deutschemarks

New York late afternoon fixing



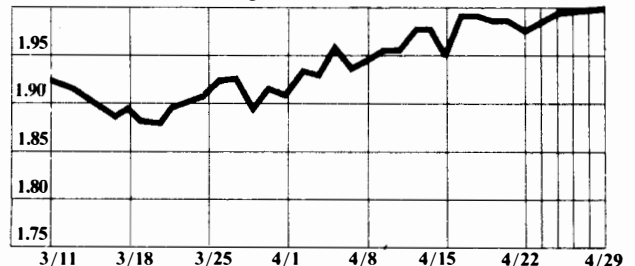
### The dollar in yen

New York late afternoon fixing



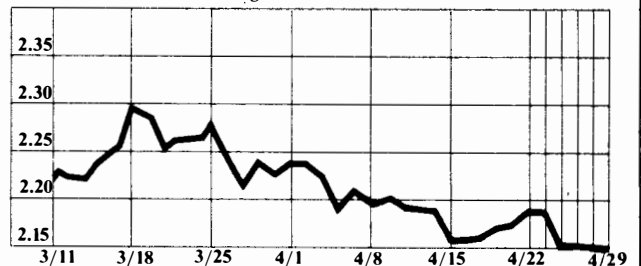
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



## Volcker and variable mortgage rates

*Mortgage deregulation will make homebuying unaffordable to the average family in the United States.*

**T**he landmark ruling by the Federal Home Loan Bank Board this week deregulating mortgages and eliminating all ceilings on mortgage interest rates could mean the end of the American dream of home ownership.

As of April 30, the traditional fixed-rate American mortgage is dead, according to a source at the Regan Treasury.

Increasingly, the fixed-rate mortgage, in which the home buyer gets a guaranteed fixed interest rate for the 20- to 30-year life of the loan, will be replaced by the new "alternative mortgages," which the Home Loan Bank Board's ruling now allows all federally chartered savings and loans to make.

The new regulations specifically permit savings and loans to offer an instrument called an "adjustable mortgage loan," which is a version of the variable rate mortgage (VRM). Payments rise or fall according to an index mutually chosen by borrower and lender, such as the rate for U.S. Treasury bills.

With VRMs, a rise in the index could be passed on to the borrower in one of three ways: monthly payments could rise, without limit; payments could stay the same, and the unpaid balance on the loan could be increased; or the terms of the loan could be increased, up to 40 years. The banks will be able to change the interest rate paid by the home buyer as often as every six months.

The move could be a terminal blow to whole segments of the U.S. homebuilding industry. Already, the high interest rates forced on home buyers by Federal Reserve Board Chairman Paul A. Volcker have shoved the average mortgage base rate up from 9 percent in 1976 to 14-15 percent today. That fact alone has made home buying so unaffordable that one-third of the members of the National Association of Homebuilders went bankrupt in 1980 alone.

Now, with variable rate mortgages, the home buyer won't even be certain that 15 percent is all he'll be paying over the 20-30 year life of the mortgage. If Volcker keeps pushing up rates, homeowners' payments on a mortgage taken out today could rise in a few years to 30 percent or more.

The U.S. mortgage market will thus increasingly be *indexed* to inflation and day-by-day market interest rates. This is akin to Brazilian-style indexation which understates the real rise in inflation rates.

The rise in new variable rate mortgages could be dramatic, as it was in the state of California, which deregulated mortgages for state-chartered savings and loans in 1975. From 1976 to the end of 1980, fully 32.5 percent of all new mortgages written in California were done as "California-style VRMs," authorized to be revised as often as the lender chose, with no ceilings whatever on interest rates.

VRMs, which are written only on one to four family homes, are an even higher percentage of home mortgages, since the California totals include commercial mortgages.

As of the end of 1980, most VRMs and other so-called alternative mortgages outstanding were held in California. Out of a nationwide total of \$19 billion in alternative mortgages, some \$17.2 billion were in California.

Under the new Home Loan Bank Board ruling, all federally chartered S&Ls, which held 55.8 percent of all mortgages outstanding for a total of \$276 billion at the end of 1980, can now move to VRMs.

The Board's ruling was made to help S&Ls (who are paying an average 16 percent for deposits but only earning an average 8 percent on mortgages held,) make ends meet. But while hiking up the mortgage rate may make the S&Ls' books look better in the short run, in the long run they're just destroying their own market.

Indexation "may make housing simply unaffordable," Roy Green, vice-president of the U.S. League of Savings Associations told *EIR* recently. "I'm not sure that housing will ever be competitive at 15-19 percent interest rates. I don't think the consumer can afford such rates for any length of time."

And that is the point. The answer to the severe losses of \$1.5 billion and more expected by the savings and loans this year is not deregulation of the mortgage-lending side of their balance sheet. This will only destroy the U.S. homebuilding industry. Rather, the S&Ls should go after Fed Chairman Volcker and his interest rate squeeze—now.



## New central bank actions threaten DM

*The Swiss and the British have joined the Fed's 'nonintervention' and the push against Schmidt.*

Central bankers introduced new technical procedures this week as part of a coordinated operation by the Bank for International Settlements to keep interest rates high, and at the same time, closely monitor potentially sharp instabilities on foreign exchange markets. The currency that could weaken most rapidly as a result of recent adjustments is the German mark.

The measures were announced in rapid succession by the central banks of Switzerland, Britain, and the United States. In a speech before the Swiss General Assembly on April 23, Swiss central bank chief Fritz Leutwiler reported that the Swiss central bank will no longer intervene to support the exchange rate of the franc. This policy of "benign neglect" is modeled exactly on the announcement by the U.S. Treasury in early April that the dollar would only be supported by the Federal Reserve in the event of an extreme political emergency.

Meanwhile in London on April 27, the Bank of England released a notice that a new reporting procedure has gone into effect for British banks. British financial institutions are now required to disclose their foreign exchange and gold holdings as a percentage of their total shareholders' capital.

New York's *Journal of Commerce*, one of the only financial papers to take note of the highly interesting London move, summarized the Bank of England's motivation

as follows: "Currency operations give rise to risks which, although not unique, are probably more pronounced than in other markets."

Following these measures, market analysts now view the deutsche mark as the most suspect currency for 1981—both for political and economic reasons.

On the economic front, the Swiss move is a direct affront to German financial stability. Leutwiler's decision to go with "nonintervention" puts an end to a years' long informal fixed exchange rate between the franc and the mark. Since the 1970s, top German companies increased their borrowings from Swiss banks in order to take advantage of lower Swiss interest rates. This led, in 1978, to a "gentleman's agreement" between the German and Swiss central banks to keep the parities of the two currencies within a narrow band of fluctuation, thereby eliminating any foreign exchange risk in these generally medium-term credit deals.

Giving some clues as to why the Swiss are breaking up this arrangement, one Swiss banker based in New York asserted that the German economy is about to enter a serious structural tailspin. Chancellor Schmidt, he claimed, has made too many concessions to the trade-union base of the social democracy, putting a heavy social cost on the German economy. Switzerland, he noted, has no intention of seeing its currency go down with the mark; in

contrast, Switzerland has an "engineerable" labor force, in which guest foreign workers can be sent home on short notice through the revocation of work passes.

The JOC asserts that Swiss gnomes think the mark could drop as low as 2.25 before year's end.

Just as important as possible currency warfare against the mark is the central bank's commitment to strengthen German central bank chief Karl-Otto Poehl, who has been heavily attacked by Schmidt for refusing to lower interest rates. The moves to back up Poehl are being coordinated by the BIS.

With their recent announcements, the Swiss and British are carrying out the gameplan of the BIS to upgrade the power of central banks worldwide. The Swiss-London policy changes conform to the recommendations of the BIS Committee on Banking Regulations and Supervisory Practices (also known as the Cooke Committee, after its chairman, former Bank of England Governor Peter Cooke) to expand central bank powers, step by step, so that any Euromarket disruption can be held up as an excuse to put international credit transactions tightly under BIS regulatory control. Schmidt's recent forays against Poehl constitute an ongoing threat to the BIS that its grab for regulatory power could be thwarted by European leaders' political intervention.

In addition, Swiss warnings of a mark downturn may prove groundless. Reports that German companies will be getting over \$8 billion in annual capital-equipment export orders from the Middle East following a Schmidt tour in Saudi Arabia mean the mark may hold its own despite BIS maneuvers.

## Toward permanent unemployment

*The U.S. jobless rate will take a sharp turn upward if Volcker raises interest rates just a few points more.*

No one has quite faced up to the fact that in the U.S. in 1980, the number of workers with unemployment duration of more than 27 weeks doubled from 1979 levels. As I documented in an earlier column, the rise in unemployment has been uneven, accentuating the shift toward the infamous "postindustrial society." In the last year, 700,000 blue collar jobs were lost, while more than 1.3 million service and related jobs were added.

Volcker's newly proposed tightening of credit means that greater unemployment is in store. Of the plans to handle this situation, Democratic and Republican Party "experts" plan to do nothing.

This fantastic plan was recently aired by Ralf Dahrendorf, the head of the London School of Economics. In a paper he presented on employment problems in the Ruhr industrial region of Germany, Dahrendorf stated that the Ruhr region, Germany's industrial heartland, will face a continued loss of heavy industry—steel, rubber, autos, and so on. But, stated Dahrendorf, according to the April 21 issue of the *Neue Zürcher Zeitung*, the service industry in Germany has not demonstrated sufficient capacity to absorb many of the unemployed industrial workers there. What to do? Place the unemployed in marginal industries, such as "communes, victory gardens and other self-sustaining forms of economic activity."

Dahrendorf's proposal reflects

a project underway in the United States. Bertram Gross, who has considerable clout among liberals in the Democratic Party, is a Hunter College professor in New York City who helped write the 1946 Full Employment Act. He told a reporter last week that Reagan's budget "will accelerate the shift toward the postindustrialization of America," which will "shift labor out of heavy industry into services," and "increase unemployment."

Gross was barely upset by this development. He stated, "It doesn't matter now . . . full employment is now defined as a certain level of acceptable unemployment."

Then Gross stated, "In Detroit, the unemployment rate is 11 percent, but they have a black mayor so it's politically tolerable. I was just in Detroit—it's terrible there, but I didn't see one riot; they don't have riots anymore. Unemployment is now tolerable."

Gross knows full well that unemployed workers, while temporarily shipped into local self-help jobs, will ultimately be used as an enraged social riot force to push plans such as Lazard Frères investment banker Felix Rohatyn's call for a newly reconstituted "Reconstruction Finance Corporation." This plan, which got large, cover story play from the May 4 issue of the Lazard Frères-controlled *Newsweek* magazine, would concentrate on regional or even city-wide "self-help employment shemes" in labor-

intensive industries. The RFC would issue bonds backed by the anticipated revenues of inner-city sweat labor.

But this plan presupposes that unions that enforce adequate living standards for their members would have to be busted. Not so strangely, the seeming "conservative opponents" of liberals like Ralf Dahrendorf, Bertram Gross and Felix Rohatyn, are in complete agreement with the liberals that the first step is to create more unemployment.

"There are only two ways to reduce wage inflation," stated former Federal Reserve Board Chairman Arthur Burns in an interview made available to *EIR* in March. "The first method," Burns stated, "is severe unemployment and not for 3 or 4 months, but for several years. The second method is wage controls or new legislation to weaken the power of the trade unions."

Just as Volcker got his credit tightening underway, the April 27 *Journal of Commerce* picked up the same theme. In an editorial entitled "A Test of Will" the *Journal* presented arguments by General Motors economist Marina Von Whitman and Kidder Peabody economist Sam Nakagama that auto wages at approximately \$11.45 an hour are 50 to 70 percent above average U.S. wages. Auto wages must come down, they concluded, followed by steel, rubber, and then other union wages. The *Journal* also urged that no U.S. restriction on the import of Japanese autos be imposed, in order to facilitate the further destruction of the already tottering auto industry.

In the next few weeks, Fed Chairman Volcker plans to accommodate both the "liberals" and "conservatives."

# World Trade by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
\$15-25 bn.	Japan from Indonesia	Pertamina has signed 20-yr. contracts to export liquified natural gas to two Japanese electric companies. Tohoku will buy 148 bn. cu. ft./yr. and Tokyo Electric, 20 bn.	Initial price rumored to be about \$6 per 1,000 cu. ft.; will be indexed to crude prices.
\$1 bn.	Indonesia from Spain	Expansion of the Dumai, Sumatra oil refinery, including 62,000 bpd hydrocracker. Contract signed with Técnicas Reunidas and Centunion. They had been negotiating with Pertamina for a year on question of Indonesian govt. guarantees, which have been given.	Spanish govt. Banco Exterior has offered \$290 mn. export credits; remainder likely to be oil export cash.
\$1 bn.	U.S.S.R. from Argentina	Soviets will import 80,000 to 100,000 tons of second-grade meat in each of next five years from Argentina. <i>Financial Times</i> sees it as "one of the biggest meat deals between two countries ever concluded." Argentine steak eaters shun sausage-grade meat Soviets will buy.	Annoucement on eve of U.S. lifting grain embargo calmed the Argentine worries about losing part of future grain exports to Soviets.
almost \$1 bn.	U.S.A. from Italy	U.S. Steel is buying 20,000 tons per yr. Italian seamless steel tubing from Dalmine over the next five yrs. By that time, a tube-rolling mill U.S. Steel is buying from Dalmine will be rolling.	Contracts signed.
\$7 mn. capital	U.S.A./Sweden	Harnischfeger of Milwaukee will build new plant and engineering facilities near there for a new joint venture formed with Sweden's ASEA. Will design and produce industrial electrical control systems using ASEA technology.	Harnischfeger has just received \$48 mn. from Kobe Steel for stock and construction equipment patent rights.
\$751 mn.	Libya from Japan	Libya has contracted with Kobe Steel for a steel bar-wire rod mill, a section mill in the Misurata steel complex. Turnkey basis order includes such related facilities as sea water desalination plants.	Kobe Steel will run project from scratch through starup and training of local staff.
\$100 mn. plus	Nicaragua/Libya	Accord signed between govts. April 25 provides for Libya to give Nicaragua \$100 mn. loan, guarantee all future oil needs, and invest in joint venture agricultural projects. Nicaragua is providing 10,000 ha. for projects and offered Sandinista troop exports to Libyan desert.	Nicaragua is providing PLO with training camp at Puerto Cabezas.
	India from U.S.A.	Indian govt. Dept. of Electronics has approved agreement for American Microsystems to supply technical knowhow to produce LSI circuits. State-owned Semiconductor Corp. of India will use this technology to make circuits for electronic watches and computers in a new facility for producing broad line of circuits.	Indian electronics component industry output rose 25% last year to \$1 bn.; govt. promoting expansion and computer-building; wants technology.
<b>UPDATE</b>			
	U.S.S.R. from Japan	Japanese steelmakers pressuring Japan's Exim Bank to finance a 3.5 mn. ton Soviet large diameter steel pipe order made in late March. Trying to bill them as "ordinary exports" separate from complex Siberia-Western Europe gas pipe deal.	Following Mannesmann pipe sale method reported in <i>EIR</i> . Tokyo govt. still resisting deal due to sanctions.
<b>CANCELLED DEALS</b>			
\$720 mn.	Australia from U.S.A./Japan	Alumax, the U.S.-Japanese Aluminum consortium, has formally withdrawn from smelter project in New South Wales. Broken Hill Properties, 45% partner in project, is seeking new partners to prevent total cancellation.	Alumax considered that smelter was economically risky under present conditions.

# Business Briefs

## *Monetary Strategy*

### **Arthur Burns to be ambassador to Bonn?**

The Reagan administration is rumored to be ready to name former Federal Reserve Chairman Arthur Burns to be its ambassador to the Federal Republic of Germany. Burns is sometimes considered a "personal friend" of West German Chancellor Helmut Schmidt. However, in an interview appearing in *EIR* this March, Burns revealed that he has been working with Bundesbank President Karl-Otto Poehl against Schmidt. The chancellor's effort to reduce world interest rates is "silly," stated Burns, who derided the chancellor's qualifications as an economic strategist.

Burns is also a critic of the Reagan economic program. The former Fed chairman has no qualms about Paul Volcker's high interest rates, but according to the *New York Daily News*, Burns told a fellow economist at the recent meeting of the Atlantic Bridge group in Princeton that Reagan's supply-side effort will fail. Asked why he does not go public with his critique, Dr. Burns explained that the administration "will turn to me for advice when things fall apart."

## *U.S. Economy*

### **Commerce lies again with statistics**

The U.S. Commerce Department, which last week cooked GNP statistics for the first quarter of 1981 to make a flat quarter look like an industrial boom, resorted to more legerdemain April 29, when it announced that the index of leading economic indicators had surged 1.4 percent in March.

One of the 12 leading indicators the Commerce Department measures is

crude material prices. When crude material prices rise, then, the reasoning goes, the economy is heating up, because the demand for raw materials increases when output increases, and higher demand usually raises prices. But it turns out that the boom in raw-materials prices was solely due to the decontrol of petroleum prices in the U.S. Subtract the effect of oil decontrol, and the leading economic indicators rose by a mere 0.2 percent. This follows declines in the leading economic indicators of 0.5 percent in February and 1.0 percent in January.

If the economy barely budged in March, why should the Commerce Department release a fraudulent set of economic indicators? One economic analyst at Donaldson, Lufkin, Jenrette investment bank in New York commented April 29, "Even though the indicators are overstated, the 1.4 percent increase in March will linger in people's minds. The Federal Reserve could use the increase to say the economy is overheating, and then tighten again."

## *Agriculture*

### **Senate committee moves to boost exports**

The Senate Agriculture Committee this week voted up a proposal to establish a revolving fund to help finance farm exports. Committee members were clearly moving off the momentum generated by the end of the grain embargo to launch this program, widely supported by farm producers.

The revolving-fund plank was adopted from the farm bill sponsored by Agriculture Committee chief Jesse Helms (R-N.C.), presented as an alternative to the administration's four-year farm bill. Under its provisions, the fund would be chartered through 1984 and authorized for financing at \$300 million in 1982, \$500 million in 1983, and \$700 million in 1984.

The export-credit revolving fund was one of the features that distinguished the Helms farm bill from that of the administration. According to Senate Agriculture Committee counsel Tom Clark; however, the administration will not try to block the measure.

The Senate committee action on exports was taken in the course of putting together a new comprehensive farm bill to replace the legislation expiring in September, a task which is expected to be completed by May 15. In a related development, the Senate Agriculture Committee rejected the administration's provisions for the dairy support program—provisions which call for a sliding scale for support prices from 70 to 90 percent of parity depending on surplus inventories—and instead endorsed the dairy industry compromise formula allowing for "flexibility" within a 75 to 90 percent of parity range.

## *International Credit*

### **French approach to Polish debt adopted**

Western governments with large outstanding loans to Poland reached agreement April 27 on a rescheduling plan to postpone \$2.3 billion in 1981 repayments that Poland cannot meet. The rescheduling adopted conforms to a proposal introduced by the French government and is based on generous terms.

Payments on principal and interest due this year will first resume in 1986, and be stretched out over a six-year term. In May, the same creditors will meet again to set a target for issuing additional lines of credit to Poland. Without such new infusions, the country would have no prospect of importing food or raw materials for years to come.

U.S. experts reveal that Poland will probably get up to \$11 billion in total new credits from public and private

sources between now and 1986, at which point, its total outstanding debt to the West will have reached about \$37 billion. Germany's *Frankfurter Allgemeine Zeitung* remarked on the April 27 settlement that this is the first multilateral debt agreement ever to be reached without any involvement on the part of the International Monetary Fund (IMF), the agency which regulates Western payments imbalances.

Although the Soviet Union violently opposes the idea, Western bankers have urged Poland to join the IMF. Significantly, the creditors' group diverged from the IMF's major policy tenet in organizing debt reschedulings; the subject of "conditionalities" was never raised at the April 27 talks.

Now, the private banking creditors, from which Poland is withholding over \$3 billion in repayments this year have to meet to decide if their reorganization will be similarly generous.

### **Public Policy**

## **Anti-Volcker committee holds meetings**

The chairman of the newly formed National Coalition to Reduce Interest Rates met April 29 with 16 New Jersey business and labor leaders, including the executive directors of the state's Independent Auto Dealers Association, representatives of the Rubber Workers, the NAACP, the National Democratic Policy Committee, former Congressman Henry Helstoski, and regional contractors. The coalition is building for a June 22 day of lobbying in Washington, D.C.

In California, the coalition formed a 13-person delegation to meet with a Republican congressman's staff. The delegation included businessmen and leaders from the Operating Engineers, Carpenters, and Building Trades Council.

### **Domestic Credit**

## **Bank reserves hurt by securities declines**

The agitation that hit U.S. credit markets on April 27, set off by a large withdrawal of cash reserves from the banking system by the Federal Reserve, has helped to expose the fact that U.S. banks are beginning to suffer from the sharp declines on the bond markets.

On April 24, federal funds were trading around 15 percent, when the Fed suddenly stepped in and withdrew between \$2 billion and \$10 billion from the banking system. By day's end, fed funds had risen to 18 percent.

After the weekend, on April 27, the Fed claimed it wanted to restore cash to the system by repurchasing securities. It found, however, that banks had few securities to offer. By April 29, financial analysts began humming that the Fed "was in for real" with a new credit crunch, and on April 30, settlements day, when rates are highly sensitive, fed funds hit 30 percent.

William Melton, economist for Irving Trust in New York, reported to *EIR* that the securities shortage in the banking system has come to a head due to tax payments.

Taxes are transferred to the Treasury through commercial banks which have the option of retaining tax deposits. This means that on a seasonal basis, tax months should be liquid for the banks, Melton explained. The retained deposits, however, have to be backed up by collateral in the form of securities, because, by law, they cannot be insured.

Because high interest rates have beat fixed income securities to a pulp in recent months, banks have been ridding their reserves of securities. This year, numerous money-center banks handed the full amount of tax deposits immediately over to the Treasury rather than pick up securities to back them up, Melton noted.

## **Briefly**

● **A STRIKE THREAT** in West Germany eased with the announcement April 29 that the metalworkers union, IG Metall, in the key state of Baden-Württemberg had reached an agreement for a 4.9 percent wage increase. The settlement, which still has to be adopted by the national union, is seen as a "concession to the political and economic situation, to prevent strikes and disturbances of production," said a spokesman for the metal industries.

● **WILLIAM BAXTER**, the anti-trust chief at the Justice Department, announced in testimony before the House Judiciary Committee that he's going to take a soft line on jumbo mergers. "In my view, there is no such thing as a vertical problem," he said, citing an oil company takeover of a pipeline firm. He thinks "very, very little change in aggregate concentration" has occurred "over the last century."

● **CAMBRIDGE** University's economic research institute is calling for import and exchange controls, as an alternative to the U.K. Conservative government's monetarism. Prime Minister Thatcher's tight monetary control, complains Cambridge's Wynne Godley, has produced the worst unemployment there since the 1930s.

● **OIL FINDS** in the Gulf of California between Sonora and Baja California, Mexico were reported in the Mexican press April 30. The reports were neither denied nor confirmed by Pemex. However, Pemex director Jorge Díaz Serano stated: "Our oil resources give life to the assurance with which we confront the future. The momentum derived from the oil expansion, as well as its consequences in the economic sphere, will achieve accelerated growth at an annual average of 7 to 8 percent for the next 10 years."

## Assassinations, terrorism, and the Socialist International

by Paul Goldstein

French President Valéry Giscard d'Estaing made a striking public statement on April 25 concerning the assassination attempt against him nine days earlier. Interviewed on French national radio, President Giscard noted that the forces of "international terrorism" were behind the assassination attempt. Asked if he meant the Soviet Union, the president emphatically replied, "No." The next question was whether the Libyan government was involved. He responded by saying that "there are certainly links between this or that extremist nation and this terrorism," not only implying Libyan complicity, but underscoring the political dimension of the current wave of assassination attempts against heads of state.

The dimensions of the wave are as follows. On March 31, the attack on President Reagan. On April 16, the attack on President Giscard. On April 27-28, a further assassination attempt was allegedly scheduled in Tijuana, Mexico against both Reagan and Mexican President López Portillo when they were to meet for a summit conference there. (Due to Reagan's convalescence, the meeting was postponed.) In early May, the Indian government disclosed, Prime Minister Indira Gandhi was slated for death in a sabotaged airplane.

*EIR* revealed in December that the Socialist International had targeted Reagan, Giscard, and Schmidt, in particular, for overthrow in an operation spelled out at the Dec. 5-7 "Eurosocialist" conference in Washington, D.C. The code word was "May 1968"-style destabilizations of key governments around the world. Subsumed in the code was activation of terrorism and riots, as well as escalation of the environmentalist and disarmament movements that interface with the terror apparatus.

The political purpose was to eliminate, by any means necessary, the potential that the U.S. President would join Giscard and Schmidt in an entente for economic growth that in turn would extend to the Arab moderates, the Brezhnev progrowth faction in the U.S.S.R., and those Third World leaders eager for industrial development, headed by López Portillo and Gandhi.



*Antinuclear upsurge in West Germany.*

This, in bare outline, is the policy background of the escalation against the most pivotal world leaders.

The Socialist International, as *EIR* has documented, is not a political entity unto itself, but an instrument of the international oligarchic financial networks who for centuries have used anti-industrialism, riots, and terror as part of their arsenal against economic and scientific development. Starting with *EIR's* investigations of the 1977 assassination of German industrial strategist Jürgen Ponto of the Dresdner Bank by the Baader-Meinhof, and the 1979 Red Brigades' murder of Aldo Moro, a Christian Democratic leader working to stabilize Italy, we have documented that terrorism and subversion transcend left-right and East-West divisions.

### **The Socialist International deployment**

The key to the oligarchic capability is the Socialist International support capabilities for such acts of terror and subversion, backed by the Society of Jesus's provision of ideology and radical shock troops. These in turn interface with elements of Soviet intelligence, centered in the IMEMO think tank and the KGB, who also seek destabilizations.

Finally, British intelligence has played a multiple role in 1) establishing the Socialist International and its left-Fabian zero-growth outlook; 2) deploying right-wing Fabians like the U.S.-based, British-controlled Heritage Foundation, which is also influenced by the IMEMO networks; and 3) establishing special operations like Amnesty International to legitimize terrorism and undercut national sovereignty.

## **In this section**

- I. Assassinations, terrorism, and the Socialist International**  
By Paul Goldstein
- II. How Libya's Qaddafi spurs terror on both sides of the Atlantic**  
by Scott Thompson
- III. Colombia's M-19 terrorists promoted by Socialist International networks**  
by Cynthia Rush  
  
**García Marquéz comes to the M-19's defense**  
by Cynthia Rush
- IV. Amnesty movement set up by Britain**  
by Steven Meyer

The Socialist International itself is run by leading figures in Europe such as West Germany's Social Democratic Party Chairman, Willy Brandt; Sweden's leading Social Democrat Olof Palme; France's Socialist Party presidential candidate François Mitterrand; and Great Britain's Labour Party leadership. In the U.S. the forces grouped around the Democratic Socialist Organizing Committee and Social Democrats USA comprise the same outlook and deployments.

The M-19 terrorists in Colombia are one of the clearest cases of this interface. The M-19 states that its model is social-democratic Austria; it has been diplomatically protected by Socialist International leaders like Austria's Bruno Kreisky; and, operating in a Jesuit-controlled environment, it professes a "third way" political ideology.

Funding and strategic perspectives for the Socialist International comes from the U.S.-based German Marshall Fund, a "deindustrialization" think tank led by the leading Eastern Establishment families such as the Harrimans, Bundys, and Meyers/Grahams (owners of the *Washington Post*).

The Socialist International's leading operatives ranging from IPS's Richard Barnet, to former U.S. Attorney General Ramsey Clark utilize a variety of institutions such as Amnesty International, International Law Association, International Association of Democratic Lawyers, World Council of Churches, and IPS's

European sister organization, Transnational Institute, all of which tie directly into the old Venetian-run intelligence apparatus known as the Society of Jesus. These institutions, in turn, deploy the Jacobin street mobs that create the riots and chaos.

In West Germany, the government of Helmut Schmidt has been the target of a continuous destabilization effort by forces from the left-SPD and its allies in the Lutheran and Catholic churches. One Lutheran/Socialist International asset is the environmentalist "peace" operation called Action/Reconciliation. Right out of Willy Brandt's office in Bonn, a Lutheran-connected group called the Humanistische Union deploys the street mobs throughout West Germany that have been taking over housing in West Berlin, Frankfurt, Bremen, Hanover, and several other cities. These squatter riots, orchestrated by the German Marshall Fund through the radical group Das Netzwerk, are now intersecting demonstrations of the reconstituted greenie/peace movement, as well as Red Army Faction/Baader-Meinhof gang terrorist deployments, where bombs have been going off on a near daily basis.

The most recent effort to upgrade these deployments in the Federal Republic was carried out by IPS's Richard Barnet and former U.S. Admiral Eugene LaRoque of the Center for Defense Information. Barnet and LaRoque planned out detailed mapping of U.S. military targets which were utilized by the "peace movement" as their guide for hitting nuclear stockpile sites (see article, page 40).

In France, the presidential candidacy of François Mitterrand is utilizing the unrest among the immigrant North African population to push for riots and police confrontations. A recent activation of the terrorist/environmentalist group, Direct Action, has targeted the nuclear energy policy of President Giscard. Last month, the offices of the French national energy company, Electricité de France, were bombed. The recent assassination attempt by the Corsican separatist organizations which involves major intelligence services from nations hostile to Giscard's Mideast policy is being investigated by French security services. Libya is a prime target.

In the U.S. over the past week scores of smaller demonstrations than those in Europe were held in several cities. The IPS-controlled El Salvador People's Organizing Support Committee has been active throughout the United States. Three thousand demonstrators protested U.S. military involvement in El Salvador on the weekend of April 20. Planning for the next "mass march" is underway with the target of May 3 being organized for a projected 50-100,000 demonstrators in Washington, D.C. Chicano groups like La Raza Unida on both sides of the U.S.-Mexican border have been active in planning border incidents against police and law enforcement agencies designed to create a backlash among the Mexican-American population.

## The attempt to kill Prime Minister Gandhi

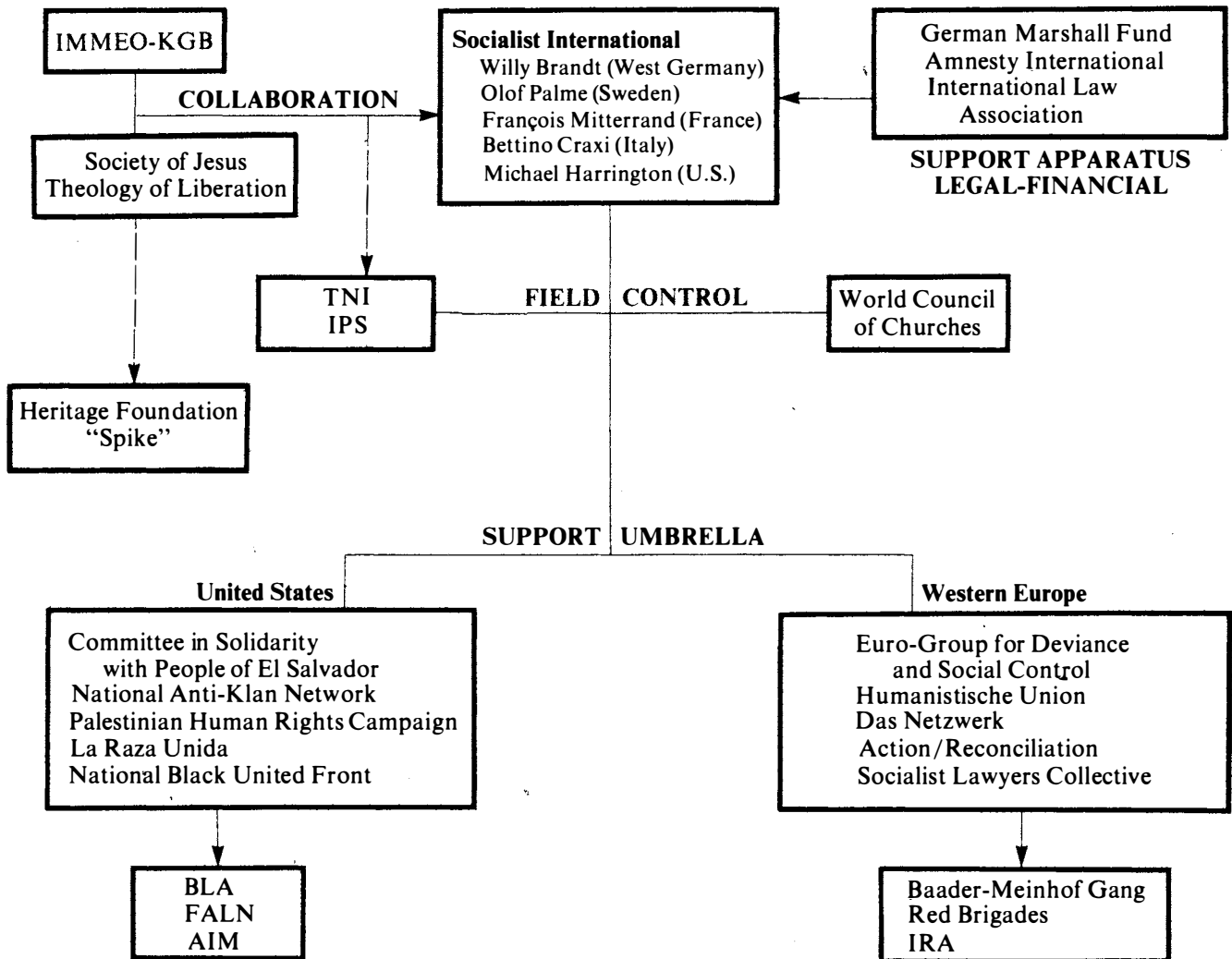
The Indian government official reported to the parliament April 27 that they had discovered an attempt to assassinate Prime Minister Indira Gandhi by means of sabotaging her plane. A security inspection of the jet Mrs. Gandhi was scheduled to use on a May 5-13 tour of the Middle East revealed that some of the cables had been deliberately cut "in such a way as to ordinarily preclude detection," according to government spokesman Zail Singh.

A crack team of technicians determined that "it was a clear case of sabotage." The cables had been cut in such a way as to ensure the crash of the plane around the fourth takeoff following the cutting.

While the government itself did not immediately suggest who might be behind the plot, a member of parliament from Mrs. Gandhi's Congress-I Party pointed out, "Since Mrs. Gandhi's return to power, certain forces have been trying to destabilize her government. Failing that, they are now attempting to liquidate her physically."



## Socialist International control over international terrorism



Puerto Rican groups on the island of Puerto Rico are carrying out bomb attacks against U.S. military bases—especially Viques.

### The Libyan role

Urban riots are being touted as the next phase of a U.S. chaos and confusion program which is being built around the social services budget cuts that the Office of Management and Budget has prepared for congressional approval. The recent murders of black children in Atlanta and adults in Buffalo are being used to incite racial unrest, as forces associated with the Socialist International such as Rev. Jesse Jackson attempt to stir up Miami-type riots. According to investigators into Jackson's present activity, most of his funding is coming from Libyan-backed sources around the Palestinian Campaign for Human Rights Committee based in

Chicago. The "countergangs" in this situation include the National Anti-Klan Network.

The role of Libya in the deployment of the funds and capabilities in support of the Socialist International destabilization is critical. Ostensibly a Soviet asset, Libyan dictator Col. Muammar Qaddafi is actually an asset of the old Venetian-Sicilian intelligence apparatus and its British intelligence-created Muslim Brotherhood counterpart. Working in conjunction with elements inside Israel that are themselves capabilities controlled through British/Canadian Special Operations Executive (SOE), the Socialist International can employ the assassination capabilities of these entities. With Soviet KGB forces controlled by a faction within the East bloc led by KGB General Kim Philby backing and supporting such ventures, most assassination operations can be tracked to these networks.

# How Libya's Qaddafi spurs terror on both sides of the Atlantic

by Scott Thompson

The Socialist International and allied KGB-IMEMO units have unleashed their shared asset, Col. Muammar Qaddafi of Libya, to finance, train, and deploy a new wave of "Red Brigade"-style terrorism. Among those countries immediately threatened by Libyan-backed terrorism are France, Italy, Mexico, and the United States.

This regrouped terrorist international may have already been involved in the April 16, 1981 attempt to assassinate French President Giscard. A major outbreak of Libyan terrorism is also in preparation in Central America, where the Libyans are working with Cuba, Nicaragua, and radical sections of the PLO.

In the United States, reliable intelligence sources report that the focus of those Black Muslim sects which support terrorism has been shifted from Iran to Libya, but overall coordination remains in the hands of the same Muslim Brotherhood channels that directed a wave of riots and assassinations in the United States last spring.

This pending outbreak of terrorism has been made possible largely by the Justice Department's coverup last week of "Billygate." On April 21, 1981, the final report of Michael Shaheen, head of the Justice Department's Office of International Responsibility, cleared former Attorney General Benjamin Civiletti, former National Security Adviser Zbigniew Brzezinski, and ex-President Carter himself of all crimes relating to "Billygate"—giving the President's brother a token wrist-slap for "lying."

Leads provided by *EIR* in a series of special reports, which received attention from the highest levels of the Justice Department and National Security Council, would have led a serious investigation of "Billygate" into precisely those circles responsible for the current outbreak of Libyan terror. Ultimately, the Socialist International-KGB units involved in this matter are mere cut-outs for those old oligarchic families of Britain and Italy who have manipulated North African politics for centuries. It was the "Venetian black nobility" and allied circles around British Petroleum, for example, who installed Qaddafi in power by working through the Muslim Brotherhood-linked Senussi sect.

Italian Socialist Party leader Michele Papa, the man

who recruited President Carter's brother Billy as a Libyan agent-of-influence, typifies the middleman role played by the Socialist International. Papa, who is notorious in Italy for his links to both extreme right- and left-wing terrorism, as well as to the Sicilian Mafia, made his Libyan connection through Lelio Basso. Basso became head of the Bertrand Russell Tribunal, whose ties to terrorism are merely typified by the fact that a member of the Baader-Meinhof gang worked on the Tribunal with Basso, after the death of Earl Russell. Basso has been identified as an associate of those noble Italian families who authorities have recently unmasked as the ultimate controllers of the Red Brigades.<sup>1</sup>

## Appointment in Ajaccio

Libya has reemerged as a strategic factor in international terrorism with the April 16, 1981 attempt to assassinate French President Valéry Giscard d'Estaing at the Campo dell'Oro airport in Ajaccio, Corsica. At precisely the moment when the French president was scheduled to give an address, two bombs placed in lockers at the spot exploded with sufficient force to kill a hundred bystanders.

Credit for this attempt was claimed by the Corsican Franc-tireurs et Partisans, a new group reportedly founded out of the Corsican Mafia-dominated resistance movement of World War II that has been involved in other attempts against the French president.

It was President Giscard d'Estaing who first pointed in the direction of Libya as the force behind the Corsican terrorists. In an interview in the April 26 *Le Figaro*, the following exchange occurs:

"'Could this terrorism be encouraged, for example, by the Soviet Union?' Giscard responded: 'No, I don't think so' and 'by Qaddafi?': 'There are certain links between certain extremist countries and this terrorism.'"

One lead that must certainly be followed to test the French president's hypothesis is the close tie between Libya and Paris Mayor Jacques Chirac, a bitter rival for the presidency. Sources in Giscard's staff report that extensive documentation exists proving that Chirac receives Libyan funds, a charge that has surfaced in the

French press.

Chirac, a "neo-Gaullist," was endorsed for president by former leaders of the terrorist Secret Army Organization (OAS), a manpower pool for over 30 attempts to assassinate President Charles de Gaulle that were orchestrated by the Permindex Corporation. Permindex personnel were also indicted by New Orleans District Attorney Jim Garrison for the assassination of President John F. Kennedy.

Chirac's campaign manager, Charles Pasqua, has also been linked to the Corsican Mafia, former controllers of the resistance movement from which the Franc-tireurs et Partisans claims to have drawn its members. A native of Corsica, Pasqua was director of exports for the Marseilles-based liquor company Ricard during the 1960s, and the boss of Jean Venturi, Ricard's Montreal-based North American distributor, whom American authorities allege was "the principal distributor of French heroin in the United States."

### **Target: the Americas**

The United States and Mexico are both prime targets for Qaddafi's terrorist teams. Beachheads for a terrorist assault on Mexico have been established in Cuba, Nicaragua, and Guatemala.

One of the prime entities through which Qaddafi is able to operate in Mexico and Central America is the radical wing of the PLO. At the Palestinian Congress last week, the terrorist Popular Front for the Liberation of Palestine (PFLP), led by George Habash, was readmitted after a seven-year exile. During the congress, Abu Iyad, Arafat's deputy and head of the PLO's special operations executive, called for commando attacks against American interests in the Middle East and elsewhere.

Over the last month, Nicaragua has worked out a full alliance with Libya that was sealed with a \$100 million loan, oil arrangements, and "revolutionary cultural exchanges." According to Tomás Borge, who worked out the final agreement with the Libyans, the alliance also constitutes a virtual mutual defense pact.

For its part, Nicaragua, which already has a PLO embassy, has agreed to allow the guerrillas to open a training base at Puerto Cabeza, Nicaragua. Some Sandinista leaders are also expected to work with the Libyan-financed Polisario group in the Sahel.

Through his close ties with both the PLO and Nicaragua, sources report that Qaddafi has prepared a major thrust into Latin America, targeting Mexico in particular. Marwan Tabub, the head of the PLO office in Mexico, spent the last year in Nicaragua, where it is believed he will oversee the establishment of the new training camp. Tabub is reportedly part of a scheme to infiltrate Libyan and PLO personnel into Mexico through Mexican textile companies.

Libya also maintains an extremely important deep-cover base in Guatemala. With the focus now on Nicaragua and El Salvador, the network in Guatemala permits couriers and other terrorist support personnel to travel unnoticed.

The best-known associate of Libyan terrorists in the United States is Louis Farakhan, former head of the Fruit of Islam of the World Community of Al-Islam in the West. Farakhan left this Muslim group after a faction fight against its new head, Wallace Deen Muhammad. Members of his current group were prominent at a Libyan reception for Billy Carter held at the United Nations soon after Billy's first trip to Libya.

One source close to Farakhan reports that he has been a fanatic student of Qaddafi's "Green Book" of world revolution since at least 1970. This source reports that Farakhan has been funded through Said Ramadan of Geneva, Switzerland, a top member of the Muslim Brotherhood. Ramadan is also believed to have helped finance David Belfield (alias Daoud Salahuddin) who carried out the assassination of Iranian exile leader Ali Tabatabai at his Bethesda, Maryland home.

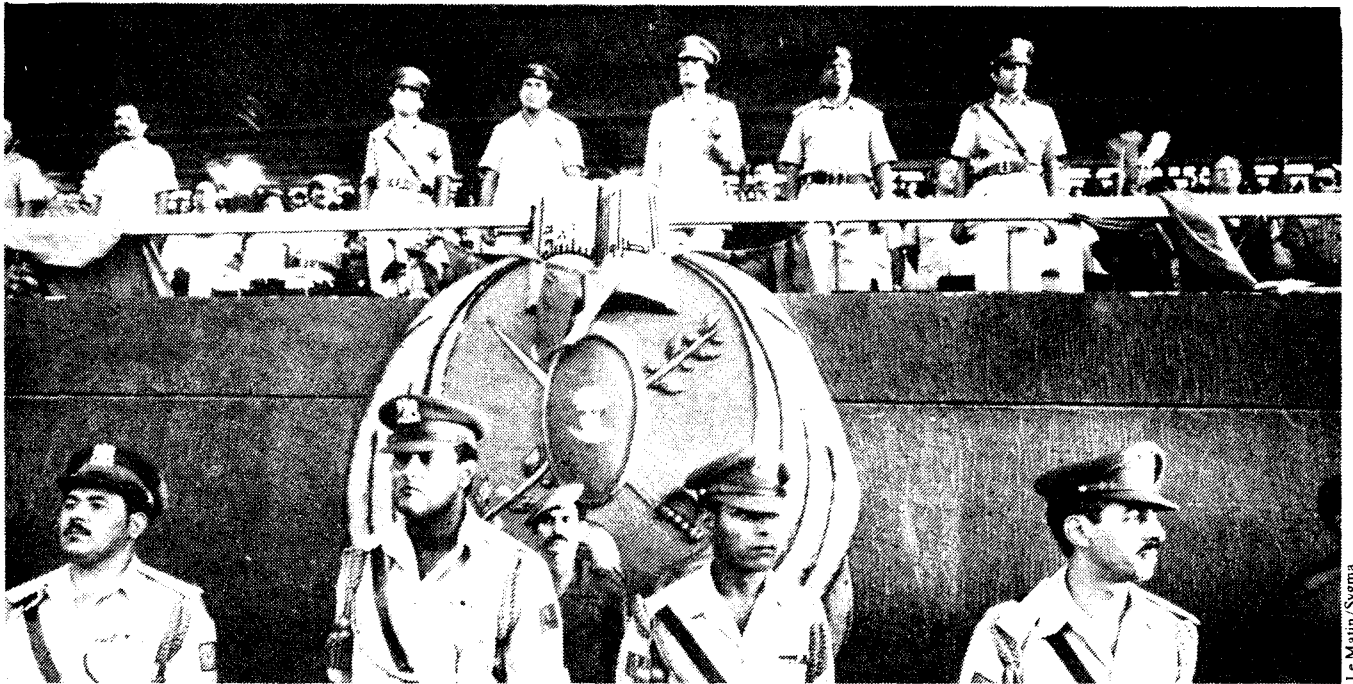
A soldier of Washington, D.C.-based Savama station chief Bahram Nahidian, Belfield is known to have been in telephone contact with Ramadan shortly before the murder of Tabatabai.

As the Farakhan case highlights, almost the entire terrorist wing of Black-American Muslims has reoriented from Iran to Libya, U.S. intelligence sources report. This shift represents little more than a new cover for reorganized terrorist networks, as both Ayatollah Khomeini and Qaddafi are substantially controlled by the Muslim Brotherhood, a cult creation of the British Arab Bureau and Venetian black nobility.

Another group which may play a significant part in any outbreak of Libyan terrorism in the United States is the New World of Islam (NWOI), which was spawned out of "Clockwork Orange"-style prison brainwashing programs in New Jersey, where NWOI has allegedly already been involved in the murder of two policemen. The NWOI is believed to overlap with circuits around both Nahidian and Farakhan. The New Jersey Fruit of Islam, which forms the core of Farakhan's apparatus today, has been tracked into the Malcolm X assassination through Ali X, one of Farakhan's lieutenants.

The PLO-PFLP also has extensive U.S. networks of which the American Ramallah Federation is the linchpin. Jawak George and Abdeen Jabara, both Palestinians with close ties to such radical U.S. groups as the National Lawyers Guild and Institute for Policy Studies, head the federation.

The federation also maintains a funding conduit involved in bankrolling U.S. groups prepared to launch domestic disorders as part of the "spring offensive" against the Reagan administration mapped out at the



*Qaddafi (top center, with sunglasses) celebrates the eleventh anniversary of the "Libyan revolution" last September.*

Le Matin/Sygnma

Dec. 5-7, 1980 Socialist International conference in Washington, D.C. This conduit, the United Holy Land Fund headquartered in Chicago, recently delivered an estimated \$75,000 to Operation PUSH. Jesse Jackson, who heads PUSH, was recently investigated by the State Department's Foreign Agent Registration office for his activities in support of Libya.

George and Jabara are also closely associated with the New York City-based radical Palestinian Dr. Mahmoud T. Medhi. U.S. intelligence sources report that Mehdi, an operative for FBI's Division Five counterintelligence branch, was a fundraising and recruitment officer for Black September in Canada during the early 1970s. From its Canadian base, this Black September unit, reportedly created by British, Canadian, U.S., and Peking intelligence services, had prepared to carry out multiple airport bombings and assassinations in the United States after the 1973 Arab-Israeli war. Though aborted at the last moment, the Canadian Black September case provides a possible model for Libyan terrorism today.

### **Billygate coverup**

The pending outbreak of Libyan terrorism was made possible by the final Justice Department report on "Billygate" issued April 21—a document that ranks with the Warren Commission report as an outrageous coverup.

The real story behind Billygate was an immoral alliance between the Carter administration and the Muslim Brotherhood, the same force responsible for

Americans being taken hostage in Iran, and not a simple influence-peddling scheme. Nonetheless, multiple sources have reported to *EIR* that the Carter family and close political associates made millions from this alliance, one aspect of which involved the multibillion-dollar reorganization of North African oil.

In the final Billygate report, Justice Department official James Shaheen clears National Security Adviser Zbigniew Brzezinski. This is despite Brzezinski's own admission that he "leaked" highly classified reports to Billy Carter on surveillance of his Libyan activities and also arranged meetings between Billy Carter and the Libyan official who was then central both to Libyan "loans" to the President's brother and a deal with the Charter Oil Company worth an estimated \$20-\$25 million commission.

Attorney General Benjamin Civiletti was also cleared of wrongdoing in his Billygate role, despite his admission that he informed President Carter that his brother was under investigation, then lied to the public about his breach of investigative secrecy.

President Carter is himself described as ignorant of his brother's financial dealings with the Libyans until after the question broke publicly. This is given the lie by the first papers the White House submitted to investigators, which include cable traffic from the State Department to President Carter reporting Billy's interest "in relieving Libya of its petrodollars." Long before Billygate broke, President Carter met with two Charter Oil employees: one, Jack MacGregor, first arranged the Charter-Libya-Billy deal; the other, Peter Jay, the Brit-

ish ambassador to the United States, was a constant companion of the Carter family.

It is believed that Jay represented the interests of British Petroleum in a planned reorganization of North African oil. Now a "consultant" with Charter Oil, Jay also provides further ties between that company and Armand Hammer, chairman of Occidental Petroleum which made its fortune off Libyan oil through contracts arranged with the assistance of BP and British press magnate Lord Thomson of Fleet. Hammer represents a key liaison between the Kremlin, the highest levels of the British Special Operations Executive, and Qaddafi's Libya. At the height of Billygate, Hammer reportedly met with Soviet President Brezhnev to garner support for President Carter's reelection. The entire question of Jay, Hammer, and Occidental Petroleum is avoided in the final Justice Department report.<sup>2</sup>

Finally, and most importantly, there is the case of Michele Papa, who with Ahmed Shehata, the unofficial foreign minister of Qaddafi's Arab Socialist Union Party, recruited Billy Carter as a Libyan agent. In repeated interviews in the Italian press, both Papa and Shehata brazenly admitted seeking to influence the President through his brother, and Papa also said that the President "knew everything" about Billy's dealings with the Libyans.<sup>3</sup> Yet the final Justice Department report denies these facts.

The report also glosses over the central question of Papa's ties to terrorism. In September 1978, while escorting Billy Carter on his first Libyan trip, Papa took part in a highly secret meeting with representatives of the PLO. In a transcript of that meeting published in *Osservatore Politico* on Jan. 30, 1979, Papa is quoted as stating:

"If necessary, our people will go to fight alongside the Palestinians. . . . If you need a corps of one hundred persons who wish to go . . . we can send 100, 150, 200 persons . . . we will bring these volunteers to Beirut or wherever you want them sent. We will do something together with Libya."

Where did Papa get a several hundred-man guerrilla force? At the core of his Sicilian-Libya Friendship Association, which sponsored Billy Carter's Libya trips, are members of the Sicilian independence movement, a joint creation during World War II of such Mafia figures as Charles "Lucky" Luciano and such members of the black nobility as Prince Alliata di Montreale and Prince Gutierrez di Spadafora. Both Spadafora and Montreale would later become officers of Permindex, which orchestrated the assassination attempts against de Gaulle and John Kennedy. Papa's own Sicilian-Libya Friendship Association is a virtual model for the Corsican Franc-tireurs et Partisans who claimed credit for the Ajaccio bombing.

The same Sicilian Mafia circles that form the core of

Papa's group also trained several hundred revolutionaries, recruited by the infamous Italian noble Giangiacomo Feltrinelli. These terrorists moved to Sicily in the 1960s under command of Feltrinelli lieutenant, Bernardino Andreola. The Italian Carabinieri finally arrested Andreola for his role as ringleader of an aborted plot to kidnap a protégé of Enrico Mattei, the founder of the Italian national oil company ENI, who was himself assassinated by Permindex networks in 1962. But the entire 200-man army remains intact. This is the group Papa is believed to have offered to the PLO for combined terrorist operations in Libya.

While Papa himself maintains a socialist cover, carrying out indoctrination sessions with the leadership of the Italian Socialist Party in Qaddafi's "Green Book," he has also been linked through Libya to the fascist Ordine Nero (Black Order), a revival of the old Ordine Nuovo group that an Italian court had banned. Ordine Nuovo was seen as a direct effort to reconstitute Mussolini's fascist party.<sup>4</sup>

Papa has apparently maintained his links to Libyan-backed terrorism despite his Billygate notoriety. Papa and his associates reportedly arranged the recent meeting between Libyan Deputy Minister Jalud and Enrico Berlinguer, the head of the Italian Communist Party. After this trip plans were announced to arrange an exchange of Red Brigade terrorists held in Libya for members of Libya's assassination teams held in Italy.

With the coverup of Billygate, this entire network of terrorists is now on the loose.

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1. Mary Carey, "The Libya-Papa Network: Socialists and Right-Wing Terrorists," *EIR*, Vol. 7, No. 36, Sept. 16, 1980. At the time Basso became head of the Bertrand Russell Tribunal, its board included a known member of the Baader-Meinhof Gang. Basso founded the Italo-Arab Friendship Association of which Papa's own Sicilian-Libya group was a subset. Basso was also secretary of the Italian Socialist Party, where Papa was a Sicilian regional leader. Basso also served as personal lawyer and consultant to Qaddafi, a post taken over by Papa upon Basso's death in 1978.

2. Richard Freeman, "The Occidental Network: Armand Hammer's Friends," *EIR*, Vol. 7, No. 36, Sept. 16, 1980.

3. Interview with Michele Papa in *La Repubblica*, July 30, 1980. Papa also stated: "It is true I had the idea of setting up a meeting between Billy Carter and Colonel Qaddafi. I was the one who handled the preliminary negotiations for the visit to Libya by the President's brother. Yes, at bottom, Billygate happened because of me. But what did I do wrong?"

4. *Investigative Leads*, Vol. 1, No. 13, Aug. 20, 1980. Mario Tuti, a leader of Ordine Nero wanted for multiple murders, was a close associate of Mario Mutti, the president of the Italo-Libya Association. On Aug. 2, 1980, 80 people were killed in the bombing of the Bologna railroad station done "to honor comrade Tuti." Tuti earlier told the Italian press: "My inspiration and teachers are Mao, Hitler, Qaddafi, and Mussolini." Funding links have also been uncovered between the Italian-Libyan associations and the Ordine Nero, as well as to the neo-Nazi Movimento Sociale Italiano (MSI).

# Colombia's M-19 terrorists promoted by Socialist International networks

by Cynthia Rush

In mid-March, Ecuadorian and Colombian authorities delivered a major blow to the Colombian terrorist group, the M-19. A squad of seventy-five M-19 members was captured shortly after they had failed to carry out a military offensive in a Colombian town and crossed the border into Ecuador in hopes of escaping the Colombian military. Among those captured were leaders Carlos Toledo Plata, a former right-wing member of the Colombian National Popular Alliance (Anapo), and Rosenberg Pabón Pabón, the famed "Comandante Uno" who led the takeover of the Dominican Republic's embassy in Bogotá in February 1979. Both the press, the government, and other national political figures agreed at the time that the capture had destroyed M-19 as a threat to the nation's stability.

Yet now, even in jail, the M-19 is stronger than ever. The terrorists are virtually holding court in their cells, announcing future plans to bomb military and police installations; they have held numerous press conferences with ample and favorable coverage; and in their spare time, the terrorists organize performances of "revolutionary theater" and poetry readings for invited guests! Courtroom appearances have become farcical, with prisoners walking out when the judges make rulings they don't like.

The M-19's climb to national prominence is not an isolated event. The M-19's activities are closely coordinated with the hunger strikes, bombings and other violent acts carried out by the IRA in Ireland, the Baader Meinhof and Red Brigades in Western Europe, and the FALN in the United States. Like these groups, the M-19 relies on the international human rights lobby led by the British intelligence creation, Amnesty International, to coordinate its activities—inside jail and out—and ultimately to legitimize terrorism as a form of political protest. The conferring of a special, or "prisoner of war" status on jailed terrorists is a key step in this direction.

For Amnesty, the Socialist International, and their conduits in the international press, the M-19 has been a successful laboratory experiment. For two years, they have built up the group as Colombia's most important "nationalist" and "idealistic" young militants—while

simultaneously attacking the Colombian government of President Turbay Ayala for violations of human rights.

A first step in advancing this process was taken in February 1979 after the M-19 seized the Dominican Republic's Bogotá embassy and held several diplomats hostage. When Amnesty International and other human rights agencies got through "mediating" between the M-19 and President Turbay, government credibility was in a shambles and the terrorists emerged as national heroes. The message delivered to Turbay by the human rights crowd was that the government had better heed the M-19's call for "social reform," or it would face further terrorist upheaval and perhaps civil war. Amnesty later put those warnings down on paper in the form of a lengthy report documenting violations of human rights in Colombia.

National and international press have reported very favorably on the M-19's antics. As a result, the country is becoming dangerously polarized between those who support the M-19, and those who would obliterate it with a Chile-style military coup. The middle ground of democracy is rapidly disappearing—exactly as planned by the M-19's international controllers.

## Prisoners of war

Largely as a result of the international campaign on the M-19's behalf, the Turbay government has been forced to virtually concede that jailed terrorists are "prisoners of war." According to this argument, the group must then be judged by *international* law, rather than the statutes of Colombian law. The stage is thus set for an assault on the nation's national sovereignty by the same horde of human rights lobbyists who've been so successful in destabilizing Colombia in the past.

The M-19's behavior as "special" prisoners has been so outrageous that the Bogotá daily *El Tiempo* noted sardonically on April 10 that "soon we will have to ask their forgiveness for having captured them at all!" The terrorists' jail cells have become headquarters from which to preach the "Colombian Revolution . . . with booze, music and the Virgin of Carmen," as one jailed M-19 member told an interviewer recently. "We'll do it

our way . . . with no foreign influence, and no rigid conceptions."

Predictably, the M-19 has already received the support of such proterrorist figures as writer Gabriel García Márquez, who just fled Colombia to avoid being questioned by the military on his own ties to the M-19.

Also significant is the fact that the Colombian Communist Party—previously a staunch opponent of terrorism—is increasingly supportive of the M-19. Among a group of 19 lawyers recently chosen to defend the M-19 guerrillas is the famed Communist senator and lawyer Humberto Criales de la Rosa, who has never defended terrorists like the M-19 in the past.

The Communists are not the only ones hopping on the M-19 bandwagon. Trade-union leaders of national prominence, such as those of the UTC Federation—a conservative grouping hardly known for harboring leftist sympathies—have visited the jails to hold "dialogue" with the M-19 members, giving them even more public credibility. By visiting with the M-19, the trade unionists have also opened themselves up for attack by such right-wing military spokesmen as Defense Minister Camacho Leyva, who recently stated that any trade-union leader who fraternized with guerrillas deserved to be shot. The outcome has been the total polarization of Colombia's political life.

Support for the M-19 has come from factions within the Colombian military as well. General Fernando Landazábal Reyes, the right-wing head of the army who recently threatened President Turbay with a coup if he dared leave the country on a diplomatic trip to the U.S.S.R., strengthened the M-19's cause when he characterized the 75 captured guerrillas as "prisoners of war." Landazábal, who had to take a foreign diplomatic post in 1976 because of suspected involvement in coordinating domestic terrorist activities, recently described terrorism as the product of "economic and social problems" in the society.

President Turbay responded sharply and correctly to Landazábal's characterization. He told the press on April 6 that "if we were to accept the thesis that social problems justify subversion, we would reach a point where two-thirds of the world would have to be up in arms against their legitimate governments."

The president's statement, however, was almost immediately overshadowed by the press conference given a few days later by captured M-19 leader Carlos Toledo Plata. Called to dispel rumors that the terrorist leader had been killed by the military—the press and domestic human rights lobby had been demanding evidence that Toledo Plata was alive—the press conference served as the M-19's forum for espousing Third World insurrection against the "reactionary Reagan government" and for urging all "serious Colombians . . . to follow the path of armed struggle."



## García Márquez comes to the M-19's defense

Colombian novelist Gabriel García Márquez has once again intervened on behalf of international terrorism and the Socialist International's strategy for Third World insurrection. Following the mid-March arrest of 75 M-19 members in Ecuador, García Márquez protested that the arrests, the extradition of the terrorists, and the Colombian government's refusal to grant a full amnesty to the guerrillas, was a manifestation of Reagan administration policy toward Latin America.

Continued failure to heed the M-19's demands for "social reforms" which, coincidentally, match those put forward by the Brandt Commission, would result in civil wars and "national liberation struggles" throughout Latin America. If the United States wants to avoid such upheavals, García Márquez stated, it would do well to accept Willy Brandt's recommendations to let leading Socialist International figures "mediate" the conflict in Central America.

García Márquez's actions date from the late 1960s, when he gained international fame with the publication of his bestselling novel, *One Hundred Years of Solitude*. Since then, he has affiliated himself with the institutions that control international terrorism and profile populations slated for Iran-style "revolutions."

*One Hundred Years of Solitude* itself was a sophisticated profiling of Colombia like the psychological warfare studies of Britain's Tavistock Institute. The novel

portrays the highly political Colombian population as an endemically violent people trapped in an irrational "Macondo" world of violence and counterviolence, incapable of development. Carrying forward the "Macondo" profile, García Márquez claims a Colombian revolution will be "con pachanga"—with a wild party.

García Márquez continually glorifies this degraded view of the Colombian population. He told the Italian daily *Corriere della Sera* that he was "proud" of his country's capacity to produce large quantities of marijuana. "But don't be shocked," he told *Corriere* journalist Enzo Biagi. "Mine are a people who always find a way to survive."

### Defending the M-19

García Márquez's defense of terrorism extends beyond his role as an active leftist literary figure, however. While the novelist claims that terrorism is a "sterile" form of political struggle, he nonetheless hastily fled Colombia on March 25 when he learned that military intelligence wished to interrogate him on his ties to the M-19 terrorists. One rumor circulating in Bogotá at the time was that the military possessed copies of correspondence between M-19 leader Carlos Toledo Plata and García Márquez and that the writer had also helped the M-19 acquire arms for its failed military offensive in March.

According to a source in Mexico City, García Márquez has willingly given "financial and moral support" to the Colombian Studies Center, whose students are known to be members or supporters of the M-19. He helped the center obtain legal status and has made clear that he is willing to aid "real revolutionaries" like the M-19.

Perhaps for this reason García Márquez offered enthusiastic support for the proposed presidential candidacy of Jaime Batemann Cayón, M-19 commander-in-chief who is still underground. The novelist called for

the government to grant the terrorist group a full amnesty to allow it to become a "legitimate political party." And even if Batemann didn't win, his candidacy "could pose some different solutions and create some interesting disquiet in the country." Repeating the M-19 warnings, García Márquez said that if the government fails to grant the amnesty, the country could be plunged into civil war.

García Márquez is part of the literary jet set whose "human rights" crusades are merely a cover for coordinating and defending terrorist activities. He is a member of the flagrantly proterrorist Bertrand Russell Tribunal which has most recently trained its sights on Mexico for Iran-style destabilization; he is a close personal friend of former CIA agent Philip Agee, whose first book he translated and distributed throughout Latin America; and he is seen frequently in the company of British spy novelist Graham Greene, who regularly corresponds with British triple agent Kim Philby, now a KGB general.

For years, García Márquez has worked with Amnesty International, the "human rights" agency that has orchestrated the destabilization of countless nations, Colombia included. While he still collaborates with the London-based Amnesty, García Márquez has formed his own group, Habeus, to deal specifically with human rights violations in Latin America.

The writer's frequent trips to Cuba, where he reportedly "only discusses literature" with good friend Fidel Castro, suggests his role in coordinating the Socialist International's strategy for fomenting Third World insurrection against the advanced sector—particularly directed against the Reagan administration. In an April 1 interview with Colombian journalists, García Márquez modestly suggested that if the United States accepted the Socialist International's mediation proposal for Central America, he would be happy to serve as a negotiator.



### Iran Comes to Latin America: The Bogota Embassy Takeover

#### An Executive Intelligence Review Special Report

In this exclusive report, the *EIR* provides full documentary evidence that the Colombian "M-19," the first terrorist group to threaten the Reagan administration, is run by a faction of the Colombian military and the Society of Jesus. It examines the role of the Jesuit "theology of liberation" in the plans to "Iranize" Latin America. Price: \$100.00. The report may be ordered through Peter Ennis, (212) 247-8498.



# Amnesty movement set up by Britain

by Steven Meyer

Amnesty International is a unique, well-placed support organization for international terrorism. Established in Great Britain in 1961 by Peter Benenson, a British lawyer, Amnesty International's real purpose has never been to fight "human rights violations." Rather, Amnesty has been a British intelligence project, put to work to erode the principle of national sovereignty.

Over the years, Amnesty has cultivated contacts in both the terrorist "freedom fighter" community, as well as the international law community that has defended terrorist groups like the Baader-Meinhof Gang. Amnesty takes on an astounding 5,000 cases of "human rights violations" every year. By establishing themselves with the authority of "nongovernmental observer" status at the United Nations, Amnesty operatives have been able to enter prisons to ascertain the treatment of prisoners; they have even been allowed to meet with prisoners whom they often turn into international heroes. And they have established extensive networks in 78 countries.

## Amnesty's networks

In 1965, Columbia University professor Ivan Morris, Peter Benenson's close friend, formed a sister organization calling itself The Riverside Group. Two years later Benenson formed a full nationwide branch of Amnesty, incorporated in New York State. He chose another close friend, Michael Straight, as the first U.S. chairman, while Morris joined him as a member of the board of directors of the U.S. organization.

Morris was born in England, served with U.S. Naval Research during World War II; joined the news department of the British Broadcasting Corporation (BBC) in 1950 for two years, then served in the research department of the British Foreign Office in London for five years before moving on to the United States. Straight, of the Wall Street family that founded *The New Republic*, was trained at the London School of Economics and Cambridge University, and was a close friend of Guy Burgess and Sir Anthony Blount. Blount personally tried to recruit him into the now-infamous group of double and triple agents of the Queen.

Sean McBride, the first chairman of the International Executive Committee of Amnesty, rounds out the

picture. McBride, who held that post from 1963 until 1974, was also an executive committee member of the Pan-European Union. This organization, headed by Count Otto von Hapsburg, is dedicated to shattering Europe into a loose union of bucolic ethnic regions under oligarchic rule, in place of industrial nation-states.

In recent years Amnesty groups have worked on cases in Iran; in 1975, 118 cases alone. In January 1979, by the time former U.S. Attorney General Ramsey Clark walked the streets of Teheran under the banners that read "Death to America," Amnesty and other rights groups had extensive networks there that helped create the preconditions for the overthrow of the Shah. Clark was a member of the board of directors of Amnesty International-U.S.A. He and Prof. Richard Falk of Princeton University, a member of Amnesty's national advisory board, continue to support Khomeini.

In Germany, Amnesty has recently intervened into a hunger strike by a member of the Red Army Faction (RAF) or Baader-Meinhof, and demanded 'improved' prison conditions, thus legitimizing the terrorists' demands. They were even allowed into the prison where Baader-Meinhof gang members were jailed, and held negotiations with prison officials. West German Defense Minister Gerhard Baum, who is openly lenient toward terrorists, acquiesced to Amnesty's demands that the terrorists be taken out of isolation cells and be permitted visitors and meetings with other prisoners.

In Ireland, Amnesty invited Ramsey Clark and Jesuit priest Daniel Berrigan to meet with imprisoned IRA member Bobby Sands, who is near death due to a 2-month hunger strike. The British government has heightened the tension already caused by a week of rioting in Belfast in sympathy with the IRA by refusing to allow Clark and Berrigan access to Maze Prison, where Sands is being held.

Amnesty International has a National Advisory Council whose members are drawn from both the "left" and "right" sides of the political spectrum. They include: **James Abourezk**, former Democratic senator from South Dakota; **Zbigniew Brzezinski**, Jimmy Carter's National Security Adviser; **William F. Buckley, Jr.**, editor of *National Review* and advocate of drug decriminalization; **Prof. Richard Falk**, member of the Council on Foreign Relations and the Institute for World Order; **Richard Gardner**, former U.S. ambassador to Italy under Carter; **Rita Hauser**, member of the Committee on the Present Danger; **Jacob Javits**, former Republican senator from New York and adviser to the National Organization for the Reform of Marijuana Laws; **Paul Moore, Jr.**, Episcopal bishop of New York; **Stewart Mott**, General Motors heir and environmentalist patron; **Prof. George Wald** of MIT, leading antiwar and antinuclear activist; and **Rev. William Wipfler** of the World Council of Churches.

## Socialists in Italy produce another Duce

by Muriel Mirak

When Benito Mussolini rode to Rome in an expensive rail compartment to seize power for his National Fascist Party in 1922, many otherwise rational observers abroad greeted the dictatorial takeover with applause. Italy had been nearly destroyed in the First World War, what was left of its industry demolished by anarchosyndicalist strike actions culminating in the disastrous factory occupations of September 1920. In the wake of total economic breakdown, mass unemployment, and popular discontent, fascist terror squads took over the public piazzas during 1921 and 1922, lashing out at business and labor organizations of both Catholic and Communist orientation. It was on the crest of that terror wave that the squadrist leader Mussolini, who had been the extremist leader of the Italian Socialist Party, rode to power.

The rationale behind many foreigners' (including Italian-Americans') support for the 20th century's first fascist dictator was to be found in platitudinous notions of "law and order"; somehow, many thought, perhaps Winston Churchill's friend, the "strongman" Mussolini, will be able to set Italy aright, stop the strikes, get the trains moving on schedule, and put the economy back on its feet.

Such well-meaning foreign observers were to find out how wrong they had been only when the British-financed Mussolini experiment was repeated in Germany 10 years

later. Twenty years after Mussolini took power, many of those same benevolent observers, especially on this side of the Atlantic, found themselves signing up as volunteers to fight what had emerged as a fascist monster throughout Europe. Even the British, who had bankrolled both the Italian and the German fascist movements, were impelled into action when their creature Hitler (Mussolini's ally) pointed his guns westward—and not merely against the Russians that Churchill intended to destroy.

### Craxi's moves to become Il Capo

It would be well to recall the lessons of 1922-24 Italy today. For today a new Mussolini has emerged aiming to take power, and the same layers of well-meaning observers, guided by the informed pens of *New York Times* and *Washington Post* journalists, are knowingly nodding that a "strongman" is the only solution to Italy's troubles.

Italy's second Mussolini, Bettino Craxi, has just consolidated dictatorial power over his Italian Socialist Party (a subsidiary of the Socialist International which has vowed to bring down President Reagan). The 42nd National Congress, held in the Sicilian mafia's capital of Palermo, was a repeat performance of Mussolini's maneuverings within the National Fascist Party; like his

predecessor, Craxi used the congress to annihilate internal opposition and emerge sole PSI spokesman.

Craxi handled the congress so much like a Führer that the national press openly compared him to Mussolini and called him "il capo" (the boss or Führer). In the weeks of pre-congressional party assemblies held across the country, Craxi's powerful political machine, based on mafia drug running and terrorist networks, and oil by Qaddafi's Libyan regime, bought up delegates by the carload, so that, as the proceedings opened, he could boast a majority that only Mussolini had equalled.

In the party elections that concluded the congress, Craxi outflanked the corrupt and disorganized internal opposition fringes by turning the tables on traditional electoral procedures. Instead of allowing the general secretary to be elected by the Direzione (the national committee), Craxi railroaded through a statutory change allowing for direct election by the 350 delegates. Despite cries of "Savoy!" (Italy's former royal house), and "Down with the monarchy!" along with outright accusations of "fascism" hollared out in the hall, the vote went through and Craxi was proclaimed secretary by a more than 70 percent majority.

*Corriere della Sera*, the paper of national record just bought up by Craxi funds, commented that Craxi at the beginning of the congress "had taken delight in presenting himself as a Marinettian [Marinetti was a futurist poet and ally of Mussolini], a German, even a Mussolinian, according to some colorful definitions," and at the end was crowned "King Bettino."

This "coronation" as the press dubbed it, signaled the final phase in a long march toward power that Craxi has carried out over the dead bodies of numerous opponents.

### **Incremental gains**

Former PSI Secretary DeMartino, for instance, lost all political clout in the PSI in 1977 when Craxi-related terrorist networks kidnapped his son and, through combined psychological and financial blackmail, destroyed him. Giacomo Mancini, the patron of terrorist Franco Piperno, who once sat atop a powerful mafia organization, has been apparently blackmailed into submission by Craxi's more potent machinery, and must content himself with barely 2 percent of the party. Simultaneously Craxi has been bludgeoning other political formations into submission as well, with Gestapo-like brutality.

First, the Forlani government, the current coalition that the PSI, with key ministries (defense, state holdings, finance, foreign trade, health) is part of. Forlani's government was forced to close shop and shut down parliament for the period of the PSI congress. Five national party chairmen (from the Christian Democra-

cy, the Communists, the Social Democrats, the Republicans, and the terrorist fringe parties) attended the congress personally. And as they took the floor to address the congress, they were greeted with abuse and blackmail.

The rowdy delegates booed and hissed DC Party Chairman Piccoli (the man who, ironically, holds the most responsibility for having created the conditions within his own party to let the Socialists into the government), and Craxi threatened him with a government crisis. Craxi stated that the Forlani government "will be the last of a certain type" and that "if the objective circumstances should be posed for a Socialist to become prime minister, we would not accept being turned down." To another of his coalition partners, the Republican Party, Craxi had another ultimatum: either accept a program to Craxi's liking at its upcoming May congress, or the new Mussolini would create a government crisis.

In short, Craxi's much-touted guarantees of "governability" for Italy were revealed to be based on a simple blackmail threat: do as I say, or I pull the government down.

Craxi's treatment of the opposition Communist Party was no kinder. Chairman Berlinguer's presence had been secured, according to insiders, only through tough arm-twisting involving Sicilian mafiosi. Following mafia killings of Communists over the past year, the Communist national daily *L'Unità* early last month raised the startling question of whether the assassinations were organized by PSI assassins, which adds credibility to the charges of such arm-twisting. So, Berlinguer went to Palermo. And Craxi, not hiding his deep satisfaction, quipped: "He didn't go to Moscow, but he came to Palermo. There must be a reason."

When a PCI representative later had some mildly critical remarks to make about the congress, Craxi dispatched a henchman to issue another threat; either the Communists behave and accept the PSI "for what it is," or they will pull out of the numerous coalition governments they have with the Communists on a local level.

### **Dismantling Italy**

The "offer you could not refuse" that Craxi is making retreats of the footsteps planted by Mussolini over 50 years ago. Craxi proposed a global "reform" of the Italian parliamentary system, replacing the "superfluous" bicameral system with a presidential dictatorship. From that position, which the PSI plans to control, Craxi promises to outlaw strikes; eliminate the cost of living escalator and other social legislation, and put through Global 2000-style austerity. The economic program just released by Francesco Forte, a Central Committee member of the PSI and close factional ally of

Craxi, calls for a genocidal reduction of the Italian population from today's 60 million to 20 million.

Institutionally, Craxi has voiced his commitment to create a single "lay" party grouping, which, excluding the Christian Democrats and the Communists, would include the prodrug, proterrorist Radicals, the Liberals, the Social Democrats, the Republicans and—although this has not yet been stated, except behind closed doors—the historical party of fascism, the MSI (Italian Social Movement). That political structure would constitute the modern version of Mussolini's NFP, and would annihilate whatever it could not succeed in assimilating until a perfectly totalitarian situation were consolidated.

Although the utter dismantling of mass-based political parties like the DC and PCI may seem impossible, the Craxi threat is not to be underestimated. Despite the fact that the PSI controls only 10 percent of the electorate, it has risen to the position of literally conditioning Italian politics because of its decades-long policy of systematically undermining social institutions. Modeling its activities on the terrorist campaigns of Mussolini, the PSI has, since the tragic 1969 Milan bombings, used political terrorism and Watergate-style scandals to erode the nation's republican institutions. Any politician, trade unionist, magistrate, policeman, journalist, or intellectual who stood in the way has been ruthlessly mowed down. When, in 1979, the Andreotti faction was definitively defeated, the PSI stepped into government power, signaling the terrorists' de facto seizure of power.

If Craxi is not stopped by political developments from outside Italy, he, like his idol Mussolini, will go all the way to dictatorial control.

What that would mean for Europe and the world is simply what it meant last time round. The Second International and Jesuit forces backing Craxi's meteoric rise to power in Italy are intending to use that battered Mediterranean country as they did after 1922, as a battering ram against the Giscard-Schmidt European axis. The Second International's mobilization to unseat Giscard by electing Mitterrand and thereby to topple Schmidt hinges in part on the success of their operations in the southern flank. This points up the significance of Italy's de facto break with the European Monetary System (since Andreotti's 1979 ouster), its break with the Saudis (through a PSI-orchestrated oil bribery scandal) and its strategic economic ties to the outlaw regime of Libya.

Italy, under Craxi, is to be the first domino to fall in a series of planned Second International fascist takeovers of Europe's sovereign nations. Just like in 1922 and 1933. The question is: will the well-meaning observers abroad let it happen? Or will they prevent it before a third world war breaks them out of complacency?

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## *Fifth Republic*

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# The fate of France is at second-round fight for

The final runoff of the French presidential elections on May 10 is shaping up as the toughest and most crucial electoral fight in the history of the Fifth Republic.

What is at stake in these elections is the continued existence of the Fifth Republic itself, which the Socialist International's François Mitterrand has devoted his political career to destroying. Mitterrand was a leading supporter of the unstable, crisis-ridden Fourth Republic, in which he served frequently as minister. The Fourth Republic came close to destroying the French nation before it was saved by Charles de Gaulle's bold creation of the Fifth Republic.

Outside France, a defeat of President Giscard would mean the destruction of the Franco-German alliance, which under Giscard and his ally Chancellor Helmut Schmidt had been the most important factor in preserving world peace during the four years of Jimmy Carter's stay in the White House.

### **Second-round fight**

The extremely close results from the first round "primary" on April 26 indicate an even tougher fight for the second round than the one that took place in 1974, when Giscard defeated Mitterrand in the runoff by a margin of only 400,000 votes.

Mitterrand's vote last week was higher than the total he achieved in two previous presidential bids. An additional indication of how tough a fight lies ahead for the next two weeks is that if one simply adds to Mitterrand's vote the percentage achieved by several left and extreme-left candidates and one ecologist candidate—all of whom have to pull out of the race—Mitterrand tops the 50 percent mark.

However, the result of the second round is never determined on the basis of simply adding up "left" and "right" votes from the first round. That is the trap confronting Giscard between now and May 10.

The results of the April 26 election also serve to

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## stake in the the presidency

underscore several important shifts in the French political landscape which, in addition to the immediate bearing they will have on the second round, will have a long-term significance.

### The Communist Party

French Communist Party (PCF) General Secretary Georges Marchais' 15 percent score is the lowest turnout for the PCF since 1936, when it first became a major force in French politics.

The PCF traditionally turns out between 19 and 22 percent of the vote, and its 15 percent showing represents the hard core of PCF support in the country. There is no question that François Mitterrand's high score is the product of a direct shift by 5 percent of the PCF's periphery to the Socialist candidate. A conjuncture of several events, from the situation in Poland and the Soviet invasion of Afghanistan, combined with a reaction to the party's recently renewed radicalism, partially explains the shift.

The bad turnout for the PCF is no cause for conservative rejoicing.

Marchais' low vote has already led to a shift in the party's tactics that could give a large boost to Mitterrand. In the longer term, it will result in a reorganization of the PCF leadership, possibly including the removal of Marchais as the head of the party.

The Central Committee of the PCF met on April 28 and emerged with a decision which overruled Marchais's previous stance toward the Socialists. The Central Committee called for unconditional support for Mitterrand and for the party to mobilize to "do everything necessary to beat Giscard and his policies." The declaration referred to Mitterrand's refusal to agree to take Communist ministers in his government if he is elected, but downplayed it.

This contrasts with the position Marchais had taken during his campaign, when he insisted that Communist

votes for the second round would have to be negotiated in exchange for ministerial posts. Marchais' tactic made him, in effect, Giscard's best ally, since the specter of Communist Party members in the government kept many conservatives away from Mitterrand.

It remains to be seen, however, if the formidable PCF machine will go all out on Mitterrand's behalf. Not only does the PCF leadership generally despise Mitterrand, but the PCF is also more comfortable in its role as an opposition party, exerting pressure on wage demands, on foreign policy, and so on. The PCF prefers to *have* some power rather than to be *in* power.

Moreover, Mitterrand has affirmed that if he is elected he will immediately dissolve the National Assembly and hold new elections, hoping to win a majority in the assembly that would better suit his rule. There is no reason for the PCF to want to precipitate another round of national elections at a time when it has lost considerable support.

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After the April 26 elections one can no longer speak of the existence of a "Gaullist party" in France. The feeble showing of the courageous Michel Debré (1.6 percent), coauthor with de Gaulle of the constitution of the Fifth Republic, reflects the decay. Debré's vote represents the hard-core intelligentsia of the Gaullist old guard, which has progressively lost control of the party since Jacques Chirac seized its presidency in 1976, after resigning as Giscard's prime minister.

One can no longer speak of a Gaullist party, but only of a Chiracian RPR (Rassemblement pour la République—Rally for the Republic) party. The RPR is increasingly characterized by its radical populist appeal to the petty prejudices of the shopkeepers, small landowners, and the like.

The sociological base of the "party of Gaullism" is therefore no longer truly Gaullist in the sense of Gaullism's national purpose and the search for national unity. Those elements of the population who still maintain that sense are to be found either in Giscard's camp or around Michel Debré and the historic "barons" of Gaullism who surround him.

In a mirror image to the shift in voting pattern on the left, the 3 percent that Giscard lost from his 1974 total can be found in Chirac's camp.

The danger for Giscard comes from the deliberate wrecking operation that Chirac has carried out with the guidance of his top aides and supporters, Charles Pasqua, Jacques Foccard, and Jacques Médecin.

Chirac has done everything within his power over the past six months to weaken President Giscard, cut out his voting base, and radicalize his own troops against the presidency. Although he has not managed to get into the runoff, he has unquestionably and deliberately served the cause of François Mitterrand.

Chirac has now announced that he personally will vote for Giscard on May 10, but that he will not campaign for the president. In short, Chirac has done the minimum necessary to avoid accusations of treason against the Fifth Republic, while doing nothing to ensure Giscard's victory.

The first member of Chirac's camp to come out with an open endorsement for Mitterrand is Paris deputy Le Tac, who represents the "Pigalle" red-light district and is sponsoring a bill to legalize prostitution.

Large numbers of Gaullist leaders, however, are preparing to spend the next period convincing their own and Chirac's base to cast what they are calling "the vote of reason" on May 10. Pierre Messmer, former prime minister under de Gaulle, a "baron" who had been heading Chirac's campaign committee, has already issued an appeal for a Giscard turnout, as have numerous other historic figures.

General Billotte, who served as chief of staff of the army under de Gaulle, wrote in support of Giscard in *Le Figaro* on April 28, pointing out, "Isn't it revealing that the governments of Moscow and Washington, each attached in their own way to avoiding the worst, do not hide their ardent hope for a third Mitterrand failure?"

Billotte is on the mark in pointing out that "avoiding the worst"—war—depends on Giscard's re-election. The time left must be spent convincing the French electorate that this is the case.

Giscard would be ill advised to try to win re-election on the basis of the simple-minded slogan that Mitterrand as president would be "hostage" to the Communists. Ultimately this would only lead to Giscard's being cut off from the organic support that exists for many of his policies among the PCF base and its large trade union, the CGT.

Rather, Giscard must counterpose his own excellent record on international issues, his initiation of a new international monetary system, and France's ambitious nuclear program to the policies of the Socialist International's vice-chairman Mitterrand. And that, all experts agree, will determine the outcome of the historic vote on May 10.

# Giscard is the only

by Lyndon H. LaRouche, Jr., Founder and

At this moment, the enemies of France are deploying immense financial and other resources into France in the attempt to defeat President Valéry Giscard d'Estaing. If these enemies of France were to succeed, not only would France begin to be destroyed as Italy has been destroyed, civilization itself would be in immediate danger.

I do not exaggerate in the slightest degree.

The international forces spending vast efforts to defeat President Giscard include:

- The Socialist International of Willy Brandt, Olof Palme, François Mitterrand and Italy's Bettino Craxi are determined to destroy immediately the governments of President Giscard, Chancellor Helmut Schmidt of the Federal Republic of Germany, and President Ronald Reagan of the United States.
- These forces of the Socialist International are openly allied with a Soviet faction led by Boris Ponomarev.
- Vast efforts to defeat President Giscard are being deployed with aid of the funds of Libya.
- Forces in Britain, including the Socialist International-allied British Fabian Society, are presently deploying a maximum of their resources to defeat President Giscard, destabilize the government of Chancellor Schmidt, and unleash internal chaos in the United States against President Reagan.

Up to this time, since the January 1977 inauguration of the evil President Jimmy Carter, President Valéry Giscard d'Estaing has, to my knowledge, performed two principal, irreplaceable, and continuing services to civilization itself.

*On the economic front*, since the 1971 destruction of the U.S. dollar, the world has faced a growing monetary inflation, bringing us closer each month to the outbreak of a depression which would be more profound than that we suffered during the period between the two previous world wars of this century. The Carter administration, a

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# choice for France

Contributing Editor

creation of David Rockefeller's Trilateral Commission, attempted to bring this collapse into actuality, under a doctrine which the Trilateral Commission (and present Federal Reserve Chairman Paul A. Volcker) adopted in the name of "controlled disintegration" of the economies of the industrialized nations as a whole.

This depression has been postponed so far only by the successful cooperation of President Giscard and Chancellor Schmidt in launching the European Monetary System in 1978. Today, only the success of President Giscard and Chancellor Schmidt in their efforts to establish Phase Two of the European Monetary System can provide us even the opportunity to take other measures of preventing the imminent new world depression.

*On the issue of world nuclear war*, it is my direct knowledge that only the joint efforts of President Giscard and Chancellor Schmidt enabled the world to escape many probable circumstances for outbreaks of nuclear war during the 1977 to 1980 period. At this present moment, it is the cooperation of President Giscard with President Ronald Reagan which is proving indispensable in the effort to block new threats of dangerous wars in the Middle East and possibly elsewhere.

Out of my respect for the principles of sovereignty of republics, I do not address you on the details of internal policies of France, but on the consequences for civilization if we lose the presently indispensable role of President Giscard as a world leader.

The defeat of President Giscard means relative chaos in France's policies, and without a continuation of the indispensable role France has performed internationally under Giscard, the balance of forces in the world would be tilted in favor of growing chaos and almost certain world depression. In the chaos and strategic miscalculations arising from depression, nations would stumble into an otherwise "unthinkable" nuclear war.

I have respect and affection for Michel Debré. Unfortunately, it is a fact, as a leading British representative boasted to me in London during 1976, British intelligence, aided by the Socialist International, has dismantled and disoriented the forces of Gaullism in France, as the small relative degree of support for the hero Debré reflects. From the standpoint of the vital interests of civilization as a whole, there is no successfully contending figure against President Giscard's candidacy who provides an acceptable alternative to the President.

I am reminded by such facts of President Charles de Gaulle's most-famous appearance on French television, appealing to the citizens of France: "Aidez-moi!"

## What is France?

France is a nation created by Louis XI from the ashes of Genoese, Burgundian, and British destruction. It is the France of Henry IV, Richelieu, Mazarin, Colbert, Vergennes, Carnot, Lafayette, Hanotaux, and de Gaulle. It is not a mere collection of individuals. *France is a national personality* which must rediscover its moral purpose for existence as a nation—as every true republic must—in each new generation of world history.

The danger to the existence of France as a nation is the danger understood by the great German republican ally of the forces of Carnot and Lafayette, the historian, poet, and dramatist, Friedrich Schiller. Viewing the destruction of France from within by manipulation of British intelligence's Jacobin agents Danton and Marat, Schiller commented: *a great moment has found a little people.*

The danger to the existence of any republic is that a majority of its people become degraded from the qualities of true citizens, to become a "little people" too greedy, too narrow, too "little," to comprehend the great issues confronting both civilization and their own nation's affairs during that brief period.

Michel Debré is correct in linking the lowering of the birth-rate in France to moral decay within France. It is the same in the Federal Republic of Germany, which, under current birth-rates, may vanish as a nation during the next century.

The ordinary citizen achieves morality and rationality by reflecting upon his or her mortality. The immoral person reacts to the fact of mortality by adopting existentialist hedonism. His petty psychological appetites for pleasure and pain in each tiny moment of personal experience become everything: he lives morally on the level of the lower beasts in this fashion. The moral citizen recognizes in the fact of mortality the need to make his or her life a positive contribution to both present and future generations. So, the majority of ordinary citizens develop their talents and order their actions in life, to provide an enhanced heritage for their

own and other families' children and grandchildren.

Since the consequences of our actions are determined by the lawful composition of the universe, the moral citizen is also a rational citizen, who demands a form of society ruled by reason, a form of society based on increasing knowledge of the lawful composition of the universe, and those advances in technology which are consistent with the principle of bringing mind and practice into agreement with the lawful composition of the continuing creation of the universe. It is through work governed by the principle of man's obligation to "exert dominion over nature," that Christendom has produced civilization as the alternative to pagan bestiality and irrationalism.

It is as the citizen thinks of the policies of his or her nation according to the consequences of those policies for that nation's and civilization's *posterity*, that that citizen rises above "littleness" of mind and spirit, to become a citizen worthy of the Fifth Republic of President Charles de Gaulle.

Today, the evil forces of pagan irrationalism are again mobilized to assault civilization. The "Ayatollah Khomeinis," the "mullahs" of anarchist irrationalism, of Sorel's fascist *mythos of violence*, of the "antinuclear" heirs of British agent Marat, are mobilized around the neo-Malthusian doctrine of the Club of Rome, openly proposing a genocide ten times more numerous than that accomplished by the Nazi regime.

*Only nuclear energy can provide the amount of energy necessary to prevent genocidal destruction of nearly all of Africa—through famine, epidemic, and banditry. To oppose nuclear power is therefore to be worse than Adolf Hitler.*

*Only a gold reserve-based new international credit system can provide the means of delivering technology desperately needed by the billions of the developing nations, if genocide from famine, epidemic, and banditry is to be prevented. Only such an expansion of high-technology world trade can provide employment and prosperity for the industrialized nations.*

Admittedly, there are defects of omission within France's nuclear program. Laser and related plasma-physics technologies and development of controlled thermonuclear fusion must be expanded qualitatively if France is to maintain its present advanced position in the world in the nuclear field. However, without the influence of France's commitment to nuclear energy development, only the Soviet Union would have maintained a leading position in this field.

On the matter of even nuclear energy, France of the 1970s maintained the Gaullist conception of France's special moral role and character in the world as a whole.

True, Chancellor Schmidt's Federal Republic of Germany has made indispensable contributions. Without Chancellor Schmidt, France would have been de-

feated in its efforts over the recent years. Yet, without President Giscard, Chancellor Schmidt could not possibly survive. Without the Giscard-Schmidt continuation of the de Gaulle-Adenauer entente, continental Europe degenerates to the mere backyard of the formerly industrialized nation of Great Britain.

Without continuation of the efforts of the Giscard-Schmidt cooperation, to develop the non-British continent of Western Europe into a prosperous "superpower for peace," civilization will probably not survive.

The question of this moment is whether a sufficient portion of the citizens of France can rise above the isolated issues occupying the minds of a "little people," to assert once again that France is still the Fifth Republic of Charles de Gaulle. Think of France, of your posterity, and of France's indispensable role in preserving civilization. Capture once again that grandeur of outlook which President Charles de Gaulle sought to inspire within you.

### **France and the United States**

The future of civilization demands that my own nation, the United States, free itself of enslavement to the influence of Britain, and restore that alliance with the forces of Vergennes, Carnot, and Lafayette on which the creation and initial survival of the United States depended. We must create among nations a growing *community of principle*, embracing sovereign republics dedicated to those principles Benjamin Franklin shared with the heirs of Colbert and Leibniz. That community, once restored, must be the preponderance of power and influence in the world.

Let those who share the heritage of St. Augustine, Charlemagne, Dante Alighieri, Leonardo da Vinci, Louis XI, Colbert, and Leibniz make such a pact with one another as persons, as patriots and world-citizens. Let us resolve to bring such a community of principle among sovereign republics efficiently into being now.

Let us create such a deeper alliance between our two nations. To realize such a result, let us affirm the presidency of Valéry Giscard d'Estaing until at least such time as a qualified successor in the footsteps of de Gaulle gains sufficient support to succeed him.

Let us not pause with the winning of an election. Let us reflect how close civilization has come to the condition seen in Italy under the influence of Bettino Craxi's Socialist Party today. Let us make this time of election a time to resolve that, never again shall civilization be placed so in jeopardy. Let us join forces to work now and over the years, to uplift the peoples of our nations from that condition of "littleness" in which such evils are permitted.

It is for that higher purpose that I appeal to the citizens of France. Vote to give civilization the possibility to survive!



# Broad agreements reached between Bonn and Riyadh

by Susan Welsh

The central topic of West German Chancellor Helmut Schmidt's April 27-29 trip to Saudi Arabia was not the much-discussed possible sale of German Leopard II tanks to the Saudis. The real subject was a comprehensive economic and political cooperation package designed as a strategic intervention into the world's precarious political geometry.

This was a major purpose of Saudi Oil Minister Zaki Yamani's statement on American television April 19 that his country has engineered a glut of oil on the world markets in order to bring down the price of oil and stabilize the world monetary system. Yamani's surprise announcement came just after the launching of an unprecedented joint Franco-German \$6 billion loan to draw Saudi petrodollars from the money markets into low-interest credit for industrial recovery and energy development in those two countries.

At the conclusion of Schmidt's talks in Riyadh, he described Saudi Arabia as West Germany's most important partner outside the NATO alliance.

The results of the two-day meetings were impressive and far-reaching in scope:

**Economic development projects:** The Saudis are seeking help to rebuild the old "Baghdad Railroad," which from 1910-1917 linked the country to Western Europe via Iraq and Turkey. The railroad was destroyed by the marauding of British intelligence agent T. E. Lawrence ("Lawrence of Arabia").

The planned revival of the project is to take place in three phases. An agreement has been reached for German participation in \$10 billion worth of projects for the first phase: revamping of Saudi Arabia's own railway system. Later stages of the project will extend the railroad to Kuwait, the United Arab Emirates, Iraq, and then on to Turkey.

Said Schmidt in a television interview April 26: "The Saudis want to invest in railroads, roads, ports, airports, desalination, industrial facilities of all kinds." Yamani declared during the course of the talks in Riyadh that Saudi Arabia values German assistance particularly because of that country's "progress and dedication to science and technology in industry and defense."

In total, German firms anticipate orders worth 20

billion Deutschmarks per year (\$9.5 billion) out of the total DM500 billion new Five-Year Plan. At the same time, the Dresdner Bank is currently working on proposed modification of existing laws limiting foreign investment, to facilitate the flow of Saudi billions into the German economy.

**Mideast peace settlement and the RDF:** Schmidt and the Saudis were in virtually complete agreement here, and the chancellor promised to brief President Reagan extensively on how the Saudis think the Mideast conflict can be solved, when he comes to Washington May 20. Bonn's policy, Schmidt said, is based on the concept of secured borders for all states concerned, full Israeli troop withdrawal from occupied territories, and self-determination of the Palestinian people. The Palestine Liberation Organization (PLO) should be included in Mideast peace talks, including a meeting this fall between foreign ministers of the Arab world and the European Common Market countries, he said.

Schmidt and the Saudis rejected Haig's contention that the Soviet Union is the greatest threat to the Mideast, agreeing instead that the Arab-Israeli conflict is the more fundamental threat to peace in the region.

Both sides rejected Haig's Rapid Deployment Force. As Schmidt argued in an interview with Saudi newspapers before leaving Bonn, the RDF concept is not feasible, since the Arab countries reject it.

**Antiterrorism cooperation.** German assistance will be given to Saudi Arabia in training an antiterrorism commando force. This indicates a concerted Franco-German deployment to prevent any "Iran-style" destabilization of the country; French security forces have been assisting Riyadh since last year's seizure of Mecca's Grand Mosque by Islamic fundamentalists.

**Arms deal.** Although Chancellor Schmidt supports the proposed arms deal, he has stated for several months that he does not yet see a majority in the German parliament that would vote for it, in view of a law against arms sales to "crisis zones." Schmidt's argument is that Saudi Arabia is not a crisis zone but a bulwark of stability in the Mideast—an argument which all of the above agreements will bolster. Schmidt advised the Saudis of the domestic opposition to the plan, and said that no decision could be made until the fall, after a thorough review in Bonn of arms sales policy. Schmidt and the Saudis avoided any linkage between the arms deal and other areas of cooperation, in order to concentrate on the chances of a Mideast peace settlement and the realization of Riyadh's Five-Year Plan, according to the West German business daily *Handelsblatt* April 29. Helmut Kohl, leader of the Christian Democratic Union in Bonn, declared that he would back the arms deal, as did former chairman of the Social Democratic youth organization Gerhard Schröder. Industrialists and the trade unions are likely to support it for economic reasons.

## Fabian peace groups plan political attacks

by Luba George

On April 23, leading members of the following organizations gathered at the University of Groningen, Holland, for a major "disarmament" strategic planning conference: the Institute for Policy Studies (IPS); Socialist International; the American Friends Service Committee; Physicians for Social Responsibility; Fellowship of Reconciliation; Pax Christi; Society of Jesus; and the Inter-Church Peace Council of Europe. The theme of the conference, titled "Nuclear War in Europe and How to Stop It," was the implementation of plans adopted by the Socialist International at their December 1980 conference in Washington, D.C. to undermine the Reagan administration and to topple the West German government under Chancellor Helmut Schmidt.

The three-day conference was organized by Adm. Eugene R. LaRoque (U.S. Navy retired) through his "independent" Washington think tank, the Center for Defense Information. Featured panelists at the conference included LaRoque's cothinkers from the European military, who, as the admiral puts it, are "concerned" that the superpowers are "planning, training, and arming for a nuclear war in Europe." Participants included:

**Brig. Gen. Michael Harbottler**, former commander of U.N. forces in Cyprus, and presently secretary-general of the newly created World Disarmament Campaign that was set up to push "disarmament" on a government-to-government level. The WND is headed by the 92-year-old Comintern-connected Socialist International founder **Fenner Brockway**. WND has received a full endorsement from the Thatcher government; it is overseen by Lord Trefgarne of Her Majesty's Household.

**Col. Gerhard Berkhoff**, deputy chief of operations, Royal British Army; may be promoted to general.

**Rear Adm. F. Gueritz**, formerly Royal British Navy.

**Rear Adm. Eugene R. LaRoque**, director of the Center for Defense Information, Washington, D.C., a group backed by the U.S. Fund for Peace and the neo-Fabian IPS. At the CDI, LaRoque and his staff of military and civilian analysts are in the forefront of the push for

conventional buildup in width, for military parity; against nuclear technology, and anti-high-technology programs. To LaRoque, the recent Space Shuttle flight is "proof" that "technology is running amok" and cannot be "politically controlled."

LaRoque has made extensive trips to Israel, Japan, Korea, Sweden, and the Soviet Union to get "first hand" reports on their military situations. He served as assistant director, Strategic Planning Division, office of Chief of Naval Operations, and served seven years at the Pentagon.

**E. P. Thompson**, conference co-organizer. Thompson is an ex-Communist Party member and Marxist expert on "Jacobinism" and is the leader of the new European-wide Nuclear Disarmament Movement (END). For the last six months, he has based himself in the United States because the "Reagan administration is appallingly dangerous," and "it is imperative to build a disarmament movement against Reagan." It was Thompson who, with the Rev. William Sloane Coffin, Jr., organized the Democratic Socialist Organizing Committee's weekly course series "Politics of Disarmament," the spawning grounds for recent peace demonstrations in the United States.

**Gen. (Ret.) Wolf Graf von Baudissin**, director of Peace Research Institute in Hamburg, West Germany. Tom Hofstad of the Arms Control and Disarmament Agency (ACDA) described the retired general as the "Gene LaRoque of West Germany."

**Herbert Scoville**, former deputy director, Central Intelligence Agency and National Security Council member under Henry Kissinger.

**Earl Ravenal**, NSC member in the Johnson administration, cochaired the Groningen conference. He is a member of the proterrorist Institute for Policy Studies.

Many of the individuals and institutions involved in the conference played major roles in undermining previous U.S. administrations, including those of Lyndon Johnson and Richard Nixon. Some of their European counterparts were key in the 1968 destabilization of Gen. Charles de Gaulle.

But behind the conference walls there is a secret Admiral LaRoque does not like to talk about publicly: in collaboration with allied European "research centers," and the CDI, a former U.S. intelligence officer named Bill Arkin has been researching "for the conference" the specific location of nuclear weapons sites in Europe. But in February, the West German magazine *Stern* published a three-page article partly based on Arkin's research showing about 100 dots on a map of West Germany that represented nuclear weapons sites. The names of the sites would be revealed, the article said, at the conference.

One wonders how LaRoque, an admitted supporter of Castro, became an assistant to the Chief of Naval Operations, and former head of the Inter-American Defense Board.

## U.S. investors have new opportunity

by Dolia Pettingell and Dennis Small

In the past year, as Mexico became the world's fifth largest oil producer, the excellent investment and trade opportunities Mexico offers have become an increasingly familiar topic of conversation among American businessmen and bankers. The López Portillo government has encouraged such talk by outlining a comprehensive economic strategy based on using Mexico's large oil revenues for the rapid industrialization of the country, and inviting foreigners to participate in that boom if they abide by Mexico's "rules of the game."

Last week, Mexican officials reiterated this orientation at a business seminar with Texas businessmen held in Puerto Vallarta. Pemex's director of supplies, Raul Cisneros, told the gathering that in 1981 Pemex's purchases of machinery and equipment will increase by 100 percent over the decade of the 1980s, with half of that imported. And the foreign investment director for Nafinsa, Mexico's national development bank, explained that Mexico "needs foreign capital as a partner," and that in 1981 foreign investment in Mexico would be 90 percent higher than in 1980. He added that of the over 2,000 proposals Mexico received in 1980 for the establishment of foreign businesses, over 1,000 were approved. The rest, he said, "did not fulfill the technological and job-creation demands posed by the government's economic plans."

### Industrial transformation

Any businessman thinking of stepping into this economic boom environment will be particularly interested in an upcoming industrial exhibition in Mexico, called "Sonora '81, Industrial Prospects." Scheduled for October of this year in Hermosillo, the capital of the northern border state of Sonora, the exhibition will focus on the idea of the *industrial transformation* of Sonora's plentiful natural resources. The Sonora '81 exhibition, sponsored by the Sonora state government, will be particularly important for a number of reasons.

First, the entire orientation of the event, that of

industrially transforming the region's resources with the most advanced technology, is identical to that of the López Portillo administration itself. Just as on the national level Mexico intends to use its 20th-century resource, oil, to acquire 21st-century technologies, so too Sonora '81 will emphasize advancing the technological level currently applied to agricultural and industrial processes. Where cattle is now only bred, the fair will explore modern technologies of slaughtering, packing, canning and freezing; where copper is now only mined, Sonora '81 will look into minerals processing, smelting, production, and so on.

That the Sonora state government would approach economic development in a manner closely paralleling that of President López Portillo is not accidental. Sonora Governor Samuel Ocaña is one of López Portillo's most important allies among the state governors.

Second, the fact that Sonora borders on the U.S. and is one of the richest and most technologically advanced states in Mexico makes the exhibition particularly interesting for American businessmen. In the area of modern agriculture in particular, Sonora rivals some of the most advanced methods applied in the United States.

As the major grain producer in the country, Sonora last year produced 1.2 million tons of wheat—a 53 percent increase over 1979. Fruits and vegetables are also grown in quantity, primarily for export. Sonora's 2 million head of cattle produce 625,000 new calves per year. There is significant hog production as well.

Sonora is also a powerhouse in mining. The country's two major copper mines are located in the Northeast of Sonora, which combined produced 170,000 tons of copper in 1980. Sonora is Mexico's main producer of graphite, tungsten, and molybdenum.

Beyond agriculture, cattle-breeding, and mining, Sonora has significant activity in the area of fishing in the waters of the Gulf of California.

Sonora '81 will feature exhibition modules covering these four principal areas of activity. The goal is to provide participants with in-depth background information on production, productivity, and potentials for investment in advanced industrial processing in each of these fields.

According to the organizers of the event, their purpose is to reach the key political, business and financial figures from Mexico, the United States, and other foreign countries that they expect will attend the month-long exhibition, and inform them about the tremendous, mutually beneficial investment opportunities available in Sonora.

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*Readers interested in further information on Sonora '81 can contact EIR's Director of Special Services, Peter Ennis, at (212) 247-8820.*

## The slow growers take it on the chin

*The pro-Volcker crowd at the Bank of Mexico lost on more than statistics.*

As I reported to you several weeks ago, the annual national accounts report of Mexico's central bank, the Bank of Mexico, met severe criticism from José Andrés De Oteyza, the industry minister. De Oteyza charged that the statistics provided by the Bank of Mexico that Mexico's GNP grew by 7.4 percent last year were fallacious: his ministry found growth to be 8.2 percent.

I noted then that rumors were rampant that responsibility for national accounts statistics would end up in the economic cabinet, where the president's progrowth attitude is more respected. That's exactly what has happened.

A few days ago, the Planning and Budget Ministry announced that it had signed an "agreement" with the Bank of Mexico to take over coordination of all statistics not strictly connected to the banking sector itself. At the economic cabinet meeting where this was ratified, Planning and Budget Minister Miguel de la Madrid, re-set Mexico's 1980 growth figure at 8.0 percent.

Some U.S. readers, looking at the economic devastation of their own economy, may wonder why there is so much fuss over a few tenths of a percentage point when 7.4 percent already looks so good.

Well, for one thing, 8.0 percent is the target for growth under the Global Development Plan here. It's also the level achieved the previous two years. So raising the 1980 fig-

ure gives a boost to government economic claims against those who say the situation is slipping, especially the economic hoaxsters at the Wharton School, who run around saying that Mexico "constitutionally" cannot grow at more than 5-6 percent. Wharton looked bad on this one.

But much more important is that the issue of statistics was used as a pretext for humiliating the Bank of Mexico crowd, a bastion of monetarist, pro-Volcker sentiment in the country. Bank head Gustavo Romero Kolbeck has repeatedly and publicly defended Volcker.

President López Portillo, a former finance minister, knows better. He has fostered a healthy orientation to solve inflation with "production, production, and more production," as he is fond of saying.

He's got most of the cabinet in line, even those who otherwise tended to see eye-to-eye with Kolbeck, such as current Finance Minister David Ibarra Muñoz. Shortly after the cabinet session where the Bank of Mexico was put down, Ibarra told a meeting of business and government leaders that "interest rate warfare is the absolute number-one cause of the quasi-recession of the industrialized countries, and hence, of the world economy."

Industry Minister De Oteyza is saying the same. I reported part of his early April speech earlier, but I've received the full text in the

meantime and there's more that may be of interest.

Mexico must "not follow the interest rates of other nations," De Oteyza stated, since such high rates "will, through financial costs, feed back into the inflationary process and perpetuate it. Inflation is not a supernatural spirit, it's not a phenomenon impenetrable to reason." He then cited the success of Far East nations that have based economic growth on productivity gains. De Oteyza had some sharp words for Commerce Minister De la Vega's tariff policies, some of which De Oteyza criticized as too low to protect Mexican infant industry.

Don't conclude, however, that progrowth policies are fully in control. The fight to see who follows López Portillo—a nomination due within six months—is the determining factor of all political life. Cabinet ministers who want López Portillo's benediction know they have to put up a progrowth front, whether they are in agreement or not.

The outstanding case of such expedient progrowth transformation is Planning Minister De la Madrid, who moved forward to give the public coup de grace to the Bank of Mexico on the statistics question last week. Also note that De Oteyza (who, by the way, is ineligible to become president) has a tendency to push his economic nationalism so far as to undermine his own progrowth efforts.

A case in point is his insistence that Mexico not lift oil export levels—despite the fact that increased oil revenues are essential for the capital goods imports his own programs require. This tendency toward self-defeating "autarky" will have to be watched.

## Behind the crisis in Lebanon

*Sheikh Yamani points to the strange bedfellows who are escalating the regional war potential.*

An important clue as to what is happening around the Lebanon crisis was provided by Oil Minister Zaki Yamani of Saudi Arabia in a startlingly forthright address delivered on April 23 in New York before the Foreign Policy Association. Yamani declared that Israel's Menachem Begin and the Soviet Union are working jointly to destabilize the Middle East.

"The educated among the Saudis are fully alive to the fact that it is Israel that is the opening through which the Russians slip into the Arab world," said Yamani.

"The more support the United States gives to Israel," he continued, "the better is the climate for the Russians in the region. We believe that Russia stands to gain from the present situation and that Israeli policies, particularly those of the current government, are at one with Russian policies."

Yamani's strong statements cohere with intelligence received by *EIR* of ongoing covert collusion among the Israeli government of Menachem Begin; radical Arabs such as Syria's Hafez Assad and Libya's Muammar Qaddafi, who are operating under the control of the anti-Brezhnev antidétente faction of the Soviet KGB intelligence service; Secretary of State Alexander Haig; and British intelligence.

The current crisis in Lebanon is a product of this collusion.

From Israel, Begin is intent on

triggering a war with Syria over Lebanon in order to reverse his otherwise certain defeat in Israel's June 30 national elections.

From Syria, Assad is also facilitating this scenario, partly to focus internal discontent away from him toward Israel, and partly to ensure Begin's re-election. Assad, Qaddafi, and other Arab and Palestinian radicals actually view Begin as the candidate of choice, since his extremism is useful for winning sympathy for the Arab cause and for justifying extreme Arab acts against Israel!

Begin's extremism has the obvious effect of worsening the potential for violence and driving the Syrians and Palestinians further into the arms of the KGB.

A key target in this operation is Saudi Arabia, whose oil pricing and production policies as well as relations with France and West Germany have angered the British. Intelligence sources confirm that the British Secret Intelligence Service, working with the Israeli Mossad and the KGB, have joined hands with Palestinian terrorists in an attempt to destabilize the Saudi Arabian regime and force it to reverse its policies.

According to one source, a Lebanon blowup will be used to ignite an "unprecedented political crisis in Saudi Arabia." A palace coup would topple the stability-minded old guard of the Saudi monarchy led by Crown Prince Fahd, and

bring into power a radical clique of young, anti-Western princes working in concert with a motley crew of tribal leaders.

Aleksandr Belchuk, an official of the KGB-linked IMEMO think tank in Moscow, has meanwhile published an analysis predicting "social explosions" in the oil-producing countries.

The KGB-Begin interface into the operation to use Lebanon to radicalize the Persian Gulf is being closely examined by several Arab intelligence services.

"Look at Lebanon," stated one Arab intelligence source. "Israel's policy there is one of calculated provocation. This increases Soviet leverage in the situation. For example, the Kuwaitis have gone to Russia to discuss how Russia can influence Syria. The question of KGB moles in the Mossad is a serious one."

Sources indicate that former Israeli Foreign Minister Moshe Dayan may somehow be tied up in this game, a possibility borne out by his wrecking operation against Begin's main opponent in the upcoming election, moderate Labour Party leader Shimon Peres.

Unfortunately, Peres has maintained a strange silence on Begin's Lebanon escapades, a silence that may cost Peres the election.

Over the past several weeks, the Saudis have quietly indicated their interest in cooperating with a Peres-led Israel. Parallel feelers for "regional economic cooperation and joint efforts against fanaticism" have been extended by Peres.

But all these possibilities for peace in the region could be shattered overnight if the Begin-Assad extremists and their British-KGB string-pullers have their way.

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# International Intelligence

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## ***Iran firms up ties to Steadfastness Front***

Khomeini's Iran is busy firming up ties with the radical Arab "Steadfastness Front," which is composed of such Soviet KGB assets as Libya and Syria.

Last week, Jaleleddin Farsi, a leading member of Iran's ruling Islamic Republican Party (headed by Ayatollah Beheshti), declared that Iran would attempt to establish a military and political alliance with the Libya-Syria bloc in the Arab world.

Farsi declared that the IRP had just completed a major foreign policy review that concluded that the Khomeini regime should not support the Muslim Brotherhood in Syria because of its attacks on the Syrian regime of Hafez Assad, but instead should back Assad and Libyan dictator Muammar Qaddafi.

Farsi recently returned from a trip to Moscow.

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## ***Venice, IMEMO concur on ECU use***

Nearly identical proposals advocating the formation of a European currency bloc in competition to the U.S. dollar are circulating under the stamp of the Soviet Union's IMEMO institute and the Venice-based Assicurazione Generale di Venezia, one of Europe's largest insurance companies.

European Community Commission monetary official Padua-Schioppa, a Venetian nobleman, argued that the European Currency Unit, now the numeraire of the European Monetary System, should become full-fledged circulating money and compete with the dollar as an international reserve asset. The to-be-established European Monetary Fund, he added, should be a full-powers central bank for Europe.

A month before Padua-Schioppa

made this proposal before an Assicurazione-sponsored meeting in Trieste March 30, the Soviet IMEMO institute's bulletin *Memo* had had the same idea. "Especially dangerous for the dollar is that the to-be-formed European Monetary Fund will be the embryonic form of a European central bank," leading to dumping of dollar reserves in favor of the European Currency Unit.

European leaders Helmut Schmidt and Valéry Giscard d'Estaing believe that the European Monetary Fund should strengthen, not undermine, the dollar. But the Benelux central banks hold the same perspective as the Venetians and the Soviet institute. IMEMO is associated with Philby codefector Donald Maclean and does not always reflect the view of the Soviet government.

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## ***Soviet-Canada grain accord signed***

Canada and the Soviet Union have completed negotiations for a five-year agreement under which Canada will sell the U.S.S.R. 5 million tons of grain per year—two-thirds wheat and one-third barley—according to Canadian trade sources. While the government wheat board declined comment on the negotiations, sources indicated that the Soviets had initially requested more grain than could be delivered with Canada's logistical difficulties. The Soviets, says the *Journal of Commerce*, are attempting to rebuild stocks to aid their East European allies.

In a related development, a spokesman for Argentina's national grain board told Unicom News that the Soviets had assured Argentina that it was committed to diversifying the source of its grain imports. Traders and grain analysts in Buenos Aires have been speculating as to whether Argentina would lose any Soviet business now that the embargo has been lifted. Under a 1980 agree-

ment Argentina supplies the Soviet Union with 4.5 million tons of corn and sorghum per year, and this year has already contracted for sales of an additional 2.25 million tons of grain to the Soviets.

On April 27 U.S. Agriculture Secretary Block told an American farm editors banquet that the Soviets had given no indication what they will demand in a new bilateral grain agreement to replace the five-year accord expiring in September. He also said that the Soviets would probably not buy much grain from the U.S. right away with the lifting of the embargo, since they have covered their needs elsewhere. "And frankly, I cannot blame them," he added, referring to the effect of America's 15-month demonstration of its unreliability as a supplier.

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## ***Archbishop wants new antibomb movement***

Archbishop of Canterbury Robert K. Runcie is now in the U.S. trying to mobilize a Bertrand Russell-type antiwar movement. In a major speech to the National Press Club April 28, Runcie claimed that "the world is dangerous because all regimes in varying degrees . . . deal in lies and propaganda which create the possibility of doing the unthinkable, destroying human life and our civilization." Runcie called for an international effort to force a ban on tactical nuclear weapons, further nonproliferation measures, and a complete ban on nuclear testing. Runcie also announced his support for a proposal to bring together Eastern and Western church leaders, including Pope John Paul II, to address the peril of nuclear war.

Runcie is in the United States for an extraordinary meeting of the world's Anglican leaders. Sources report that one of the key topics that the conclave is addressing during its sessions is Runcie's a ban-the-bomb proposal. While he is in the U.S. Runcie plans major addresses in

Los Angeles on illegal immigration, in Iowa on land use, and in Chicago.

Runcie's antibomb rhetoric coincides directly with Second International-KGB efforts to revive the antiwar movement in the West as a battering ram against the governments of Giscard, Schmidt, and Reagan. The Anglicans are full participants in this effort; last week, 76 liberal and conservative Episcopal bishops in the U.S. wrote a letter to the White House calling for an immediate termination of aid to El Salvador.

## **Qaddafi falters in Moscow trip**

Libya's Colonel Muammar Qaddafi ended three days of talks in Moscow April 29 without the unqualified endorsement of his activities sought by Qaddafi and predicted by many people who take Libyan-Soviet convergence as axiomatic. A rumored friendship treaty between Libya and the U.S.S.R. failed to materialize and the communiqué on Qaddafi's talks with Soviet President Leonid Brezhnev referred to "an atmosphere of friendship and frankness"—the latter word denoting substantial disagreements.

In a speech greeting Qaddafi, the Soviet president voiced support for "anti-imperialist" struggle, but then proceeded to use the occasion for addressing Washington with an appeal for an international conference on the Mideast.

Brezhnev rejected formal establishment of new "spheres of influence" in the Third World, adding that existing rules of conduct excluded "outside support for separatist movements." While referring to the topical case of Lebanon, this Brezhnev formulation could not fail to recall Qaddafi's own approach to some neighboring countries; European observers found it significant that Qaddafi did not win any Soviet statement on his bid to annex Chad and other North African nations.

Qaddafi's arrival in Moscow, fresh

from his latest tour of Africa and in the midst of a political intervention in Italy in collaboration with proterrorist forces there, was premised on the tendency of a Moscow "destabilization" faction to embrace him as a prime Soviet ally. Brezhnev's handling of Qaddafi showed that this was not a sure bet.

## **Plans to sabotage U.S.-Mexico summit**

With the announcement of the rescheduled López Portillo-Reagan summit to take place June 8-9 at the Camp David retreat, the enemies of U.S.-Mexican détente have stepped up their efforts to sabotage the meeting.

Sources in Washington report that the original site of the summit, San Diego, California and Tijuana, Mexico, was changed because of extreme security risks, including reported arrests of several persons for threatening to kill both presidents.

In Mexico, radical-leftist *Excelsior* columnist Manuel Buendía commented April 30 that López Portillo is selling out for going to Washington instead of Reagan traveling to Mexico. In addition, the office of the Mexican subsecretary of health for environmental affairs told *EIR* that they are working closely with the U.S. Environmental Protection Agency "and the authors of 'the world in the year 2000' [Global 2000]." The subsecretary, Manuel López Portillo (a cousin of the president) recently gave an environmentalist speech publicly citing Global 2000, to decry the dangers of pollution caused by industrialization in Mexico.

On the U.S. side, a Treasury Department official currently in Mexico issued a press statement announcing that the United States is planning to substitute imports of Mexican oil for solar and coal forms of energy. The official, Tim McNamar, spoke at a three-day seminar on solar energy organized by the State Department and the U.S. embassy.

## **Briefly**

● **THE BRITISH** government is secretly extending offers to the Saudi Arabian government to sell the Saudis the British-made Nimrod radar aircraft system if the U.S. Congress forces the Reagan administration to back down on its offer to sell AWACs to the Saudis. "The Nimrod has many of the capabilities of the AWACs, the British are telling Saudi military people," a Gulf intelligence source told *EIR*.

● **EAST GERMAN** and Israeli aircraft have been landing at a Paris airport to unload ammunition for transfer onto Iranian planes. "These transfers imply East German-Israeli intelligence collaboration to back up the Khomeini regime," a well-informed Middle Eastern intelligence source told *EIR*.

● **BOB MARLEY**, the stoned reggae superstar and Rastafarian cultist, has been bestowed the "Order of Merit" by the Jamaican government. The Order of Merit is the third highest award the Jamaican government can give. Jamaica, whose Prime Minister, Edward Seaga, has endorsed Jamaica's growing drug economy, hailed Marley as "the person most responsible for the growing acceptance" of reggae, a bestial, drug-based music that incorporates elements of the Rastafarian marijuana cult.

● **FIDEL CASTRO**, at the opening of the Second Congress of Third World Economists in Havana on April 28, demanded a so-called South-South conference of Third World nations to discuss strategy against the advanced sector, the North. According to the Cuban premier, the North-South conference scheduled for Mexico City in October is based on a "theory developed by the opulent North to treat the impoverished and backward South with contempt."

## Reagan strengthened: key decisions yet to come

by Richard Cohen

While the imminent victory of the Reagan administration tax and budget policy will undoubtedly strengthen the new President's political hand on the Hill, it is a number of other domestic and foreign initiatives that actually give hope for a fundamental turnaround in U.S. policy.

This morning's surprise announcement of an early and unusually private meeting between President Reagan and President López Portillo of Mexico on June 8-9 fills in a series of crucial meetings and conferences that can provide the margins of input needed to define Reagan's domestic and international policies. The President will also meet with West German Chancellor Helmut Schmidt in May, and the discussions will obviously shape U.S.-European relations, for better or worse. Later, in July, Reagan will join the heads of state of the other major Western industrialized nations and Japan at the Ottawa economic summit.

Reports indicate that these series of meetings will bring the President face to face with the negative political reality created by the Federal Reserve's insistent high-interest-rate policy. Simultaneously, Congressional sources report, the same moderate House and Senate Democrats who nearly broke the administration's "economic recovery plan" may move to concentrated attack against the Fed's credit-strangling policies in June and July.

This combination of political factors could force the

administration off dead center on Fed policy during the crucial months of May, June, and July.

The imminent passage of most essential parts of Reagan's economic recovery plan will significantly strengthen the President's political hand. Within 10 days, Reagan's political strength in Washington will probably be greater than Carter enjoyed at any time. The irony is that many of the budget cuts will accelerate the industrial collapse inherited from Carter, and in short order destroy Reagan's political advantage, if a second, genuine, economic recovery program does not follow.

As Reagan's own political advisers will tell you, this increase in Presidential strength will come less from winning the upcoming votes in Congress, than from not losing them. Loss in any significant aspect of the program which administration officials have dubbed their number one priority, would have doomed all administration proposals to the status of Congressional doormats for at least a year, in the view of those closest to the White House. For the past several weeks, administration officials have been on an around-the-clock mobilization to recover lost conservative Republican votes on the Senate Budget Committee, and, more importantly, to win over and consolidate conservative Democratic members of the House.

What can reverse the potentially fatal track on the budget front is the President's ability, magnificently



demonstrated in his national address last week, to mobilize the progrowth instincts of the American public. Should Reagan's manifest talent for moral leadership be mobilized around a correct economic program, the looming danger of "Hooverization" may yet be reversed. On a number of fronts, both foreign and domestic, there is considerable cause for hope.

### **The embargo and Mexico**

The announcement late last week to lift the grain embargo against the Soviet Union shored up key conservative farm state and rural support for this week's tax battle, but can also have further-reaching implications in terms of expanding East-West relations. Presidential adviser Edwin Meese III this week raised the possibility of an informal meeting between Reagan and Soviet President Leonid Brezhnev. Intelligence sources also indicate a sizable increase in U.S.-Soviet contacts. Another important spinoff effect will be to aid the reelection chances of France's President Giscard d'Estaing by demonstrating that a conservative U.S. government has chosen to do what the French president has already done.

A close analyst of the Reagan administration called the lifting of the embargo "zany and out of profile." But beyond the well-executed pressure from the Department of Agriculture, the clincher for the decision came from the President's own close advisers Edwin Meese and James A. Baker.

Another track that can serve as a corrective to the depressionary effects of the budget cuts and Volcker interest-rate policy is the announcement this week of a June 8-9 meeting between Reagan and Mexican President José López Portillo. The potential for oil-for-technology accords between the two nations is in the multibillion-dollar range, and Mexico's needs for high-technology capital equipment could provide the catalyst for a general recovery of U.S. industry.

In announcing the meeting, to take place at Camp David, National Security Adviser Richard Allen noticeably softened his earlier advocacy of a North American Common Market. Allen stated that there had been great misunderstanding about the proposal, which the Mexicans see as a threat to national sovereignty, and that the administration in no way intended to replace or usurp the issues under bilateral discussion—energy, technology, immigration—with a multinational framework.

A third limited but substantial step on the foreign policy front was the decision to sell the AWAC system to Saudi Arabia. Close watchers of Capitol Hill are privately predicting a smashing victory for the administration when the sale comes up for a vote, probably this fall. Although the intentions of the administration are ambiguous, one effect is certainly to strengthen the

electoral position of Israeli prime minister candidate Shimon Peres. By postponing the AWAC vote until after the June 30 Israeli election, Reagan avoided handing the bellicose Prime Minister Begin a re-election issue. A quid pro quo on Saudi oil prices and supply is also not to be ruled out as a motive. Meanwhile, the Begin lobby and their friends on the Hill are mobilized for a fight, a fight one observer believes is already creating a "deep-down impatience with Israel in the administration," and drift that could lead to a major change in U.S. policy toward Israel.

The AWAC decision was a black eye for Secretary of State Haig, whose opposition to the deal had been quite public. Backed by the White House staff, the President overrode the secretary of state on this issue as he did on the Soviet grain embargo.

### **The war on drugs**

In a major policy speech April 22, Meese again took the lead on a new front, pledging that the federal government would launch a war against international narcotics trafficking "in a different way, in a more massive way, in a more extensive way than has ever been done before."

Unreported in all but a few major newspapers, Meese's Washington speech cited a 59 percent increase in violent crime over the past 10 years as the impetus for an expanded federal role in the drug war. He outlined an ambitious program for drug enforcement that would bring in every agency of the federal government. In a direct reference to President Carter's appointment of NORML advisory board member Mathea Falco to the top State Department post on narcotics, Meese stated: "It was a kind of travesty that in the past we have had people in the position of Assistant Secretary of State for International Narcotics Affairs who themselves belonged to organizations that were dedicated to the legalization of marijuana." The pledge to clean out every vestige of prodrug sentiment from the Federal bureaucracy could not have been clearer.

All of the important initiatives of the last 10 days have one thing in common: the President was personally involved in the decisions that demonstrated a new openness to policies promoting economic growth and international stability. President Reagan's active organizing and decision making put an end to speculation that months of convalescence would deepen the policy paralysis characteristic of the first two months of the administration. And the initiatives, along with his dramatic speech to Congress, had the effect of pulling the nation behind the President, by giving the constituencies that handed him a landslide victory last fall a sense that they had in fact thrown Carter policies out with Carter, and that the moral purpose of the nation could be restored.

# 'Population shock therapy' for the Third World: Haig's RAPID program

by Lonnie Wolfe

Over the course of the last week, *EIR* has uncovered a major psychological warfare and brainwashing operation run jointly by Alexander Haig's State Department and the Population Crisis Committee of General Maxwell Taylor aimed principally at Third World leaders. The goal of the operation is to force acceptance of the population and development doctrine of the Global 2000 report, the plan drafted by the Carter administration that calls for the reduction of the world's population by 2 billion people by the end of this century.

The centerpiece of this plot is the RAPID program, a \$4 million four-year project funded through the "international population programs" budget line of the U.S. State Department and the Agency for International Development (AID). RAPID, or Resources for the Awareness of Population Impact on Development, is designed, according to one of its project coordinators, Malcolm Donald, to "administer population shock therapy to Third World leaders and population and development planners . . . we are the psychological warfare unit of Global 2000, so to speak."

## Who runs RAPID?

The principal contractor for RAPID is the Glastonbury, Connecticut/Washington, D.C. based Futures Group, a think tank specializing in "future studies."

The Futures Group was set up in 1971 by Ted Gordon, a former top employee of the RAND Corporation. Along with Olof Helmer and Norman Dalkey, Gordon developed a psychological manipulation technique known as the RAND "Delphi" method. The Delphi method seeks to subtly shift people's perception of reality by manipulating variables of available information. It is deliberately constructed to involve "groups of experts" in scenario planning, so that the targeted individual gets to participate in his own brainwashing by developing what appears to be his own scenario or choosing from several rigged scenarios.

RAPID uses a form of the Delphi technique on its intended victims, the leadership cadre of Third World countries. Taking data from a number of sources in-

cluding the World Bank, the United Nations, the State Department, but most importantly from the individual countries themselves, RAPID technicians "tailor" a computer program that will deliver a range of predictions for varying degrees of population increases on approximately 12 sectors of the national sector economies. The projections are in categories: high (current) growth, medium-range growth, and replacement-level (zero) growth. In addition, a "historical demographic" projection, extending current trends in population growth through the year 2025 is run.

From the outset of the program development process, the basic idea is to wean leaderships away from the idea that high-technology development of their countries is desirable. "RAPID tries to point countries away from Marshall Plan-style heavy-industry development," said Donald. "We used to tell people in the 1950s that they weren't developed unless they were industrialized. This led people to make the wrong decisions about their resources and population. The heavy-industry policy is wrong in general. . . . We are making sure that the population factor is dominant in policy-making. . . . Our idea is to win people over to the perspective that economic development won't solve problems, it will only make them worse. The leaders must begin to change their policy. If they don't, there are always elections, and in some cases the bullet. Things have a way of happening."

Every step along the way, the RAPID technicians work closely with planners from the various host countries. "This is key," said Donald, who works for the Futures Group. "It is very important that we make people feel that they are still in control of their own program. Our influence must be subtle to be effective. It cannot appear that we are importing a program. This 'home grown' aspect adds to the psychological weight of what we are doing."

The first target of the RAPID program is the development ministries of the host countries. "We work on the key people there," said Donald. "This is where the action is. If we really want to control population, we

must insinuate population-control ideology into the planning process." The next target is the cabinet and chiefs of state. Once the program is complete, a series of carefully run seminars are held for national leaders. These consist of verbal presentation accompanied by a display of the program on a portable Apple computer, complete with colored graphics.

"The computer is a powerfully convincing device. We can get people to change their whole outlook in the face of its overwhelming power."

According to Donald and others the targeted leaders "don't have a chance."

"The lights flash, and the charts appear, and there it is," said Donald, describing a computer indoctrination session. "It tells anyone who has eyes: reduce your population or face disaster. . . . The intended effect is overwhelming. Say a leader tries to argue with our figures. We say to them, 'Well, one or more of your own people worked with us on this, but if you have objections, we'll change the figures.' We don't give a damn. These people tinker a little bit and we pump new figures into the computer right in front of them. The lights flash again and new charts and numbers come out. The effect is numbing. It is all predesigned. It doesn't always work, but it leaves them shaking. We never have to shout. The figures do the talking."

### The next phase

After this shock therapy is applied, sometimes in several doses, and a country's leadership is hooked, the next phase takes place.

Another outfit under contract from the State Department, the Battelle Memorial Institute, is assigned to go in and create "development-population think tanks." Battelle, whose headquarters is in Geneva, is one of the flagship operations in the international futures planning network controlled by the London-based Tavistock Institute for Human Relations, the British royal family's top psychological warfare unit. At the same time, a third State Department-funded group, the Research Triangle Institute based in Durham, North Carolina, moves in to train people in the development ministries. "We are out to take over their minds," said Donald. "All the way up and down the ladder."

Donald and his associates say they have learned from the handling of the Club of Rome's *Limits to Growth* report. Studies were made, profiling developing sector leadership cadres, on the impact of the report. It was found to have delivered an appropriate shock, but the psychological effects were not permanent. Most leaders ignored its "doomsday conclusions" and continued to push aggressive development policies. "You can't go around screaming the end of the world is coming, or yelling holocaust," said Donald, "because no one will believe you. We present a more upbeat

picture. But underneath it all, the figures quietly say the same thing as Global 2000 and *Limits to Growth*. The figures come off the screen. For some of the countries, the figures are devastating. When we run through the historical demographic section, we tell leaders that before we get to this point other factors will intervene—famine, plague, wars, natural factors—will cut down their populations like a meat cleaver. . . . After they go through the program, they are more likely to believe what we say."

### The Population Crisis Committee connection

The RAPID program has been under way for four years. In that time it has prepared full programs for 11 developing sector countries and has another 25 programs "in process."

The coordinator of the project for the Futures Group and the man who oversees most of the presentations is Philander Claxton, Jr. Claxton is a board member of the Population Crisis Committee, the core group in the so-called population lobby. Founded by the late General William Draper, the investment banker who ran the occupation of Germany after World War II and the leading population reduction advocate of his time, the PCC functions as an "open conspiracy" using informal, top-level contacts to push its doctrine. Claxton, a Draper protégé, was the man who set up the State Department's population operations during the Johnson administration and held the post of coordinator for population affairs at State from 1966-77.

Claxton has called on the members of the PCC and its funding offshoot, the Draper Fund, whose board overlaps with the Club of Rome, to assist in RAPID presentations. But it is the PCC doctrine that underpins the Global 2000 report, as well as the RAPID and related State Department brainwashing programs. That doctrine was best stated by retired General Maxwell Taylor in a PCC-circulated document on the "Population Crisis and U.S. National Security Interests." In interviews published in this magazine Taylor advocated the "writing off" of well over 1 billion people, including most of black Africa.

It is no coincidence that the RAPID technicians have targeted black Africa, and especially francophone black Africa, for "special treatment." According to the Futures Group's Donald, most of francophone Africa is pronatalist regardless of their public positions. This is because the late Charles de Gaulle was pronatalist and progrowth, Donald stated.

"These goddamn countries are going to go to hell in a basket," he said, "with their idiotic progrowth policies. They pay lip service to birth control and then try to sabotage the programs. RAPID can get some people in these countries to understand things, but for the most part, they are too stupid. . . . If we are going to do

anything in Africa, especially French Africa, we are going to have to seize the development ministries.”

But Donald and Claxton and their cohorts in Haig’s State Department say that very little will be done to prevent the genocide of more than a billion people.

“I fully agree with Maxwell Taylor’s idea that not everybody is going to make it,” said Donald. “The idea is to prepare people for the chaos that this implies. It was goddamn stupid to go around telling people that you could solve everything with technology and development. Sooner or later people are going to start dying like flies because they have been breeding like flies. We have made several mistakes over the last two decades. We went in and played God. We lowered child and other mortality rates, through cheap tricks with medicine. . . . We fucked up with DDT. Malaria, a major killer, was eradicated. It was the wrong thing to do— we upset the natural balance. We let too many people live. Maybe we’ll get lucky and there will be another great killer. . . . There are still too many ‘do gooders’ and missionaries masquerading as policy analysts. They tell people with a little American knowhow, we can do anything, save everybody. . . . There is too much crap coming from the Reagan White House about spirit and imagination. . . . Garbage. We have to make decisions now to save what is saveable. If that means we let a couple of billion people die to save six billion, so what.”

But the RAPID practitioners do not tell their gullible subjects what they are really thinking. The most they let on is that they are “creating individually tailored Global 2000 environments for the developing sector.” “You can’t tell a Third World leader that you really expect most of his people to die—no matter what they do,” said Donald. “No way. So no matter what we say, we are soft-pedaling. It is a noble lie. We just want to keep them in their place.”

Justice, in their perverted sense of the term will be done, however. According to Donald, those leaders in French-speaking Africa “will eventually pay the piper. There will be a hell of lot less of those African fools in the next couple of decades.”

### **A final note**

RAPID funding comes up for reauthorization in 1982. Its coordinators say that they have “plenty of time to get things really rolling.” Besides, they report certain support—possibly at higher funding levels—from Secretary Haig and some of his top deputies such as Assistant Secretary of State James Buckley and AID director Peter McPherson. They say such individuals support the RAPID effort, though they are certain that if the White House knew what they were doing, it would oppose it. “There is a great thing about this government,” said Donald. “It is possible to do a great deal without the boss even knowing what is going on.”

## **Origins of Global 2000: depopulation warriors**

by Lonnie Wolfe

On August 26, 1974, John D. Rockefeller III took the podium to deliver the keynote address to the World Population Conference convened in Bucharest, Romania by the Club of Rome and the United Nations. He was addressing the largest international meeting ever assembled to discuss the Malthusian zero-growth policies disseminated by the Club of Rome over the previous two years.

“There is a need to revise the concept of economic growth,” Rockefeller told delegates from Europe, the Third World, the East bloc, and a U.S. group led by current Secretary of Defense Caspar Weinberger. “Particularly in recent years, the limits of growth have come into our consciousness. The depletion of resources, pollution, and the energy crisis have made all that very clear. The character and purpose of growth must be changed.”

Rockefeller summed up more than a decade of planning for deindustrialization and depopulation with this joint declaration of war on the advanced sector economies and sentence of death for the developing world. But he did not go unchallenged.

An organizing team of the International Caucus of Labor Committees led by Helga Zepp exploded the peaceful facade of the conference. Zepp exposed Rockefeller’s zero-growth formulas as apologies for mass murder, and counterposed a human future of unlimited economic and technological expansion based on the development of controlled thermonuclear fusion power.

“I would like to point out that while you are having this nice cozy discussion, this conference is determining the future of human life,” Zepp confronted Rockefeller as he was leaving the conference hall. “You are pushing zero growth. And on the basis of what you do, 30 to 40 million people will die. You are responsible for the death of 30 to 40 million human beings. So what do you think, Mr. Rockefeller?”

Hundreds of delegates who sat placidly through Rockefeller’s address were shaken by the Labor Com-

## a map of in the U.S.

mittees' exposure of the evil intentions of the conference planners. The Club of Rome and its cothinkers in the U.S. government and at the United Nations were dealt a serious setback.

But, as the following history of the campaign for global depopulation elaborates, they by no means discarded their blueprints for a zero-growth world order. Their schemes for oil hoaxes, economic slowdown, and mass starvation during the 1970s and 1980s have proceeded toward the goal of a "postindustrial society" and a vastly depopulated world by the year 2000.

The release of the Carter administration's *Global 2000 Report* recommending energy conservation, population control, and environmentalism as the fundamentals of national policy demonstrates that the genocide planners were entrenched in Washington as Jimmy Carter prepared to leave office. The new administration's budget-slashing, aimed against the critical industrial sectors that have led America's economic growth, should cause alarm: The genocidalists control whole sections of the nation's policy-making apparatus, and are determined to force their policy perspectives on the Reagan White House.

They must be exposed now, as energetically as they were at Bucharest, and their influence on U.S. policy ended once and for all.

### Genocidalists take over U.S. policy

**1961-65:** The core group that comes to power with John Kennedy is dedicated to resource and population control. The group includes "eminence gris" W. Averell Harriman, Undersecretary of State George Ball, National Security Adviser McGeorge Bundy, his assistant Walt Rostow, Defense Secretary Robert McNamara, military adviser Gen. Maxwell Taylor, and special White House adviser Robert Komer, later architect of Vietnam's "Project Phoenix" population reduction plan and now creator of the Rapid Deployment Force.

**1965:** A special commission is established, with funds from the Carnegie Corporation, to set a national Agenda for the Year 2000. The commission is cochaired by Daniel Bell, the Harvard sociologist whose thesis is that Western society must move from the era of growth and heavy industrial production into the postindustrial phase, and futurist Herman Kahn of Rand.

The commission is the first public spokesman in the United States for the notion that global resources, most emphatically energy, are limited and that world development must be contained within the bounds of growing resource scarcity. It calls for population control in the developing sector.

In this circle of planners who would chart America's new role as enforcer of global economic devolution were: **Zbigniew Brzezinski**, whose own version of zero-growth was described in his book, *The Technetronic Society*; Hedley Donovan, editor-in-chief of *Time* magazine; **Samuel Huntington**, later adviser to the National Security Council and author of the Trilateral Commission's policy statements on the collapse of democracy; **Wassily Leontieff**, economist and member of the Initiatives Committee for National Economic Planning, promoter of "fascism with a democratic face"; **Daniel Patrick Moynihan**, now U.S. senator; **Harvey Perloff**, head of the zero-growth Resources for the Future group; **Fred Iklé**, member of the board of the World Futures Society and now number three man in the Department of Defense; **Roger Evelllea**, director of population studies at Harvard University; and **Eugene Rostow**, then undersecretary of state for political affairs.

**1965:** The London-based Tavistock Institute for Human Relations of British intelligence initiates a study of the effect of the U.S. space program on the U.S. population. The study, completed in 1967, under the direction of E. Rappaport, member of the board of Tavistock's journal *Human Relations*, shows that the federal government's investment in the NASA space exploration program is creating "too many American scientists and engineers." Tavistock recommends drastic cutbacks in the national space program, which are implemented first by then-Secretary of Defense Robert McNamara, and then under Nixon Office of Management and Budget officials George Shultz and Caspar Weinberger.

**1965:** Eric Trist, the controller of Tavistock networks in the United States, combines with Tavistock operative Fred Emery to initiate investigations of what he calls "theories of social turbulence." At Pennsylvania's Wharton School, Trist develops a gameplan for major social dislocations in the United States.

Trist's and Emery's work, aided by a U.S. network of Tavistockian sociologists and psychologists, produces plans for the use of mass media, including televi-

sion, and the drug counterculture, to force a "shift in the values" of Western society, beginning in the United States.

**1965:** Beginning in this year and continuing through 1967, Undersecretary of State for Economic Affairs George Ball appoints the first-ever full-time population officer to the State Department, Robert A. Barnett, and sets up a task force under Barnett to study global population matters. This task force studies the effects of the Vietnam War on Vietnam's population.

The new Ball-Barnett team includes Richard Gardner, a friend of Cyrus Vance with an extensive background in controlling Third World population growth. Later he becomes ambassador to Italy.

**1966:** The Vietnam War is escalated under the direction of Secretary of Defense Robert McNamara, and Gen. Maxwell Taylor, the author of a book calling for reduction of world population levels, *The Population Crisis and National Security*. McNamara looked on war as one of the most efficient means of holding down or reducing population.



Robert McNamara

This was McNamara's view on Oct. 2, 1979, when he addressed a meeting of international bankers in his new capacity as chairman of the World Bank. "Is an overpopulated world inevitable?" McNamara asked. "No, it is not. But there are only two ways for preventing a world with 10 billion inhabitants. Either the birth rate drops or the rate of death will rise. There is no other way. There are, of course, many ways to make the death rate increase. In the thermonuclear age, war can take care of this very quickly and in a definitive way. Famine and disease are the two oldest obstacles that nature has put in front of demographic growth, and neither has left the scene. In simple terms, we can say that excessive population growth is the main obstacle to economic and social progress of most developing countries."

**1966:** Gen. William Draper, Jr., the investment banker who directed the economic occupation of Germany after World War II, along with former NATO Ambassador Hugh Moore and former New York Republican Sen. Kenneth Keating, create the Population Crisis Committee. Draper and Moore, both long-time advocates of global population reduction, found the PCC as a core international body to implement these policies.

From its outset, the PCC has the backing of the clique within the Kennedy-Johnson administrations that directed the Vietnam War. This clique includes Under-

secretary of State George Ball, Treasury Secretaries Henry Fowler and C. Douglas Dillon, Agriculture Secretary Orville Freeman, Gens. William Westmoreland and Maxwell Taylor, and Defense Secretary Robert McNamara. When these individuals leave government service, they join either the PCC board of directors or its funding arm, the Draper Fund for Population, which is founded in 1974.



Gen. William Draper

with and overlaps the Club of Rome and the World Wildlife Fund.

Significantly, the PCC directs a congressional network that includes James Scheuer, Richard Ottinger, and Charles Percy, and which functions under the overall direction of former Sen. Joseph Tydings. From the mid-sixties until his defeat in 1971, Maryland Senator Tydings was the acknowledged leader of the population lobby in Congress.



Sen. Joseph Tydings

Under Draper's direction, the PCC worked throughout the 1960s to lay the basis for a major expansion of the State Department's activities in population affairs. In addition, the PCC used the Agency for International Development (AID) to fund the United Nations Fund for Population Activities. The PCC Draper Fund, through Draper and board member C. P. Snow, works directly with the Communist Chinese regime of Mao Tse-tung to implement a "population experiment" aimed at reducing the Chinese population by nearly 50 percent; the PCC publicizes the success of this project in the late 1970s.

**1969:** Henry Kissinger takes over as National Security Adviser, bringing onto the NSC with him three leading supporters of the Club of Rome's depopulation doctrine—Helmut Sonnenfeldt, William Hyland, and Donald Lesh. Of these, Lesh, a former aide to Assistant Attorney General Nicholas Katzenbach, develops the most distinguished portfolio as a zero-growther. He leaves the NSC in 1972 to work at Potomac Associates. During Lesh's tenure, Potomac Associates publishes the

Club of Rome manifesto *Limits to Growth*.

**1969:** President Richard M. Nixon establishes a presidential commission on population growth and the American future, headed by Laurance Rockefeller, the founder of the Natural Resources Defense Council.

The first report of the commission, released in May 1972, calls on the United States to commit itself to zero population growth domestically and internationally. The commission asserts that there would soon be a shortage of energy sources, especially oil. As energy supplies are a natural regulator to population growth, this impending shortage demands both lower rates of growth and a major energy conservation effort. Nuclear power is potentially too dangerous to the environment to be considered an answer.

The commission acknowledges that many of its ideas and recommendations may be considered immoral and un-American to most Americans, who believe in scientific and industrial progress. But Americans can no longer afford to believe that growth is the answer to all "life and death" questions, it asserts.

**1969:** The Club of Rome is founded by apologist for cannibalism Aurelio Peccei and Alexander King, both functioning under orders from the NATO command. This new international genocide planning group is supported by the Venice and Genoa-based European oligarchic families, whose 20th-century policy has been an unending quest for a new dark age.

Peccei's philosophy is best summed up in a 1974 interview with the Mexican daily *Excelsior* where he praises several Uruguayan youth who resorted to cannibalism when their plane crashed in the Andes. "For them, there were no possibilities of salvation," Peccei said. "Why were they able to carry on? Because, I believe, this is man's innate condition."

The Club of Rome is staffed and prepared to become the premier international mouthpiece for global population reduction and environmentalism. Working with the NATO command structure, the Club of Rome almost immediately begins work on the Limits to Growth project, piloted by Dennis Meadows and Jay Forrester of the Massachusetts Institute of Technology.

**1970:** The Club of Rome's U.S. think tanks, and the State Department's Office of Population Affairs (created out of the earlier team run by George Ball and Robert Barnett) begin a series of demographic studies. They conclude that world population will grow to between 8 and 10 billion people by the year 2000. On this basis, they launch emergency mobilizations for population control.

**1971:** The India-Pakistan war results in a famine and mass starvation in Bangladesh. The mass media trum-

pet the Bangladesh holocaust across the United States and Western Europe, peddling the line that overpopulation has provoked the crisis.

**1972:** The Club of Rome releases *Limits to Growth*. The report calls for an end to industrial development efforts in the Third World, and outlines a future plagued by scarce resources, especially petroleum and other fossil fuels. It calls for zero-growth oriented economic policy for the advanced sector, and a very limited growth policy for the developing sector, asserting that all advancement in the Third World must be paid for by deprivation and cutbacks in the advanced sector.

Reviving the themes of Parson Thomas Malthus's "Essay on Population," *Limits to Growth* authors Forrester and Meadows assert that technological progress is unable to solve global population problems.

### Global implementation phase

**1973:** Tavistock profilers discover that U.S. and Western European populations are not yet prepared to accept the genocidal conclusions of *Limits to Growth*. Oil, at \$4 to \$5 a barrel, is not only cheap, but plentiful. Although oil has risen from a low of \$2 a barrel in 1970 due to Libyan-led price hawks in OPEC, motorists can still buy gasoline for less than 30 cents a gallon in most U.S. cities.

**1973:** Henry Kissinger, now in control of the U.S. State Department as well as the National Security Council, rigs the October 1973 Arab-Israeli war. This triggers the Arab oil embargo, and provokes a rapid fourfold increase in the price of oil to the United States and Western Europe. The advanced sector experiences gasoline shortages; oil prices jump to \$12-\$13 a barrel.

**1974:** Using the oil crisis as a backdrop, the Club of Rome releases a new study, *Mankind at the Turning Point*, a softer version of its limits to growth thesis, that advocates Third World development via low capital investment "appropriate technologies," and asserts that such a strategy could work if accompanied by conservation, belt-tightening, and lowered consumption in the industrialized world. Later, the Club of Rome sponsors its World Population Conference in Bucharest, with the U.N. cosponsorship; HEW chief Caspar Weinberger heads the U.S. delegation.

**1975:** The Vietnam War is ended. Population experts announce their surprise that the war did not succeed in lowering the birth rates in the combat zones. But as Fred Emery and others assert, the real target of the Vietnam War has been the United States itself, which had witnessed the shock of immoral actions by its government and is now prepared to make the critical choices required by the programs of the global depo-

pulators. The drug counterculture, created during the war, has undermined a whole generation of youth, and population planners foresee a near future of zero growth in the U.S. itself.

**1975:** Henry Kissinger takes three key steps to implement the genocidal doctrine put into place during the preceding decade. He organizes the International Energy Agency to manage the global scarcity of fossil fuel supplies. Kissinger establishes the NSC Ad Hoc Group on Population Policy, consisting of representatives of 19 government agencies and groups, which he personally oversees. He also reorganizes the State Department, establishing the Bureau of Oceans, International Environmental and Scientific Affairs. The new bureau is given responsibility for technology transfer to the Third World, nuclear energy exports and development, law of the sea treaty negotiations, export of chemical processes, marijuana eradication programs, and international space development and cooperation programs. The State Department Office of Population Affairs is also coordinated under the new umbrella.

**1975:** The Cambodia depopulation project, which would kill three-sevenths of that nation's population by 1977, is begun. Sources report that Kissinger and his new bureau were fully aware of the extent of the genocide taking place in Cambodia—murder on a scale beyond Hitler. The Office of Population Affairs admits that it has studied the effects of the Pol Pot government's deurbanization and deindustrialization policies very carefully.

**1975:** The Council on Foreign Relations initiates the "1980s Project" under the direction of Cyrus Vance and McGeorge Bundy. Its proposals call for the "controlled disintegration of the world economy," and enforced energy scarcity through continued high prices.

The OECD also launches "Interfutures Research Project," focusing on the concept of limited resources as determining future economic growth; proposes conservation and population reduction as answers.

The Goals for Mankind project, sponsored by the Club of Rome and the United Nations, is initiated under the direction of Erwin Laszlo. The project spins out a number of "development" scenarios, each one based on the same conception of scarce resources.

**1976:** On election eve, November 1976, U.S. Labor Party candidate Lyndon H. LaRouche, Jr. appears on national television, warning of the genocidal intentions of the backers of James Earl Carter's bid for the White House. The policies of the Trilateral Commission, the Club of Rome, and their cohorts are the major impetus to Third World conflict which could spark superpower confrontation and world war, LaRouche warns.

**1977:** The Carter administration calls for the preparation of the *Global 2000 Report* on the advice of NSC adviser Zbigniew Brzezinski and Secretary of State Cyrus Vance. The Global 2000 task force is established under the direction of the State Department's Bureau of Oceans, International Environmental and Scientific Affairs and the White House Council on Environmental Quality run by Gus Speth. Project director is Gerald Barney of the Rockefeller Brothers Fund, whose recent report *Energy Futures* predicts collapse of society if energy consumption levels are not drastically cut, and is a guide for all U.S. foreign policy.

**1977:** Under instigation of the Population Crisis Committee networks, Congress establishes the House Select Committee on Population. Headed by Rep. James



David Stockman

Scheuer, the Select Committee is the first formal committee of any national legislature devoted exclusively to population questions. The committee holds more than 2 years of hearings to publicize the need for the U.S. to commit itself to reduce population growth and to sound the alarm on the global population crisis. Among its members is Michigan Rep. David Stockman, who prepared a report

on the Consequences of U.S. Population Changes. According to sources, this report, which advocates cutbacks in domestic projects such as dams and water control, was the basis for both the Carter 1980 budget (which contained a population section for the first time in U.S. history) and for Stockman's current policy as Office of Management and Budget Director. The committee issued its multi-volume recommendations in March 1979.

**1977:** The so-called Brandt Commission on North-South relations is created. The first commission report fully supports the population control, appropriate technologies, and energy conservationist perspectives of the Global 2000 team. With oil prices kept artificially high through the manipulation of OPEC and the oil multinationals, the Carter administration begins its assault on U.S. nuclear development.

**1979:** The revolution against the Shah of Iran, backed by the Carter administration's Zbigniew Brzezinski and Ramsey Clark, is successful, and the stage is set for a new round of oil price hikes. The price hike strategy is mapped out at a spring meeting at the New York estate of Averell Harriman. By the end of 1980, oil prices have risen to \$38 a barrel, causing crippling cutbacks in the industrialized nations and a virtual shutdown of supplies to some Third World countries.



**1979:** Brzezinski's "arc of crisis" speech targets "teeming Muslim populations."

**1980:** On July 24, the Jimmy Carter White House releases the findings of its Global 2000 commission. The commission call to reduce world population by 2 billion people by the turn of the century is endorsed by Secretary of State Edmund Muskie.

**1980:** The Committee for the Year 2000 is formed, headed by Russell Train, Cyrus Vance, Elliot Richardson, and Robert O. Anderson of the environmentalist-funding conduit the Aspen Institute. Walter Cronkite is also a member. The committee vows to push for the implementation of the Global 2000 perspective regardless of who wins the November election.

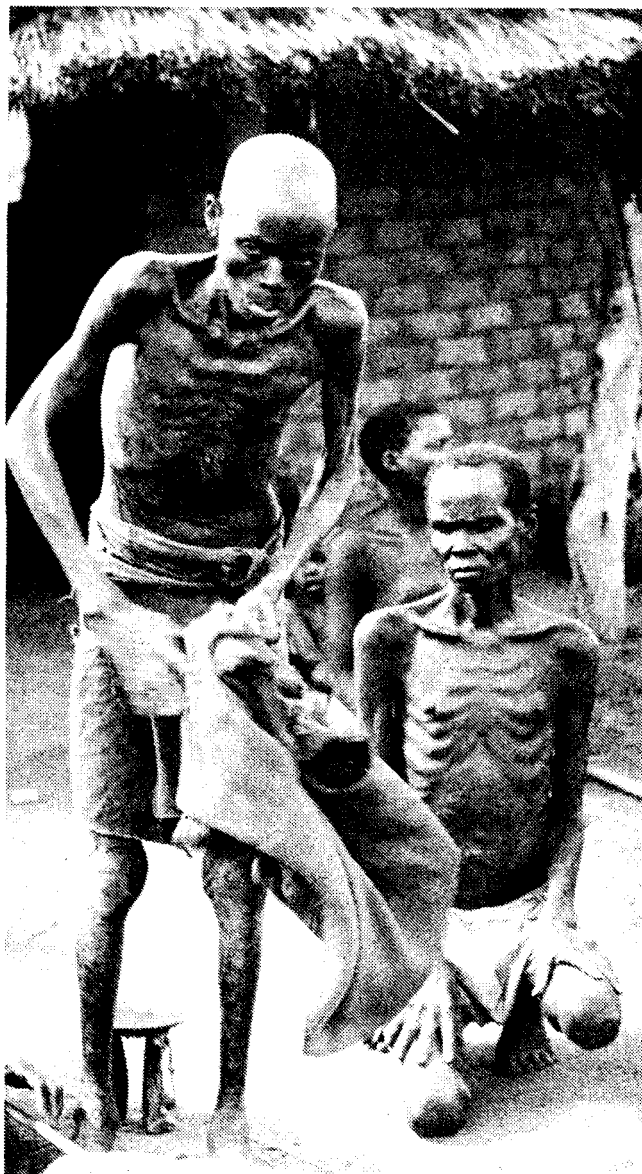
**1980:** Following the November election, the Citizens Committee for Global 2000 is formed, bringing together more than 27 groups under the direction of Train.

**1980:** The World Wildlife Fund's Global Conservation Strategy is released. This report, whose findings parallel those of the *Global 2000 Report*, was commissioned by the Wildlife Fund's board of directors, which includes Russell Train, Prince Bernhard of the Netherlands, Prince Philip of Britain, and Robert O. Anderson of the Aspen Institute.

**1980:** World Bank releases two reports, one on energy, the other on "world development." They supplement the Global 2000 document's call for limiting population and economic growth based on resource and energy scarcity. Their proposals, especially those of the energy report, are incorporated in the Global Future followup study.

**1980:** Population Crisis Committee member Gen. Maxwell Taylor drafts a paper on the "Population Crisis and U.S National Security Interests." Discussion around that paper and other documents centers on decisions to immediately write off more than 1 billion people in the developing sector as "unsavable." By early 1981, it is reported that this "triage list" concept is being used for U.S. national security planning by the State Department. The revised Taylor paper is released in February 1981.

**1981:** In January, the Global Future document is released by the Council on Environmental Quality only one week before Jimmy Carter leaves office. This report reduces the projected population at the end of the century from 8 billion to 6.35 billion. The new projection is based on factors including the effects of high oil prices, and the changes in global economic development patterns.



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# A Big MAC for every city?

*Stephen Parsons examines three urban centers and the financial manipulations bearing down on them.*

Pick up any major urban newspaper these days and you are almost sure to be barraged with headlines trumpeting the latest horror story in municipal and state finances: mass layoffs of public employees; cutbacks in police and fire protection; school boards running out of funds and threatening to padlock their doors; and mass transit systems collapsing or shutting down as budgets are exhausted.

While it is generally acknowledged that the extreme fiscal straits of municipal and state governments are a product of the national economic downturn, rampant inflation, and recession-induced revenue shortfalls, local officials are under intense pressure to come up with solutions. For the most part in recent years, these officials have fought to maintain at least a status quo in essential services, relying increasingly on federal and state revenue-sharing contributions as local property taxes stagnate and fall in real dollar terms.

In many cities, public employees have received wage and benefit increases that, if not overcoming the ravages of inflation, have at least mitigated its onslaught. And increasingly, de facto deficit financing, or carrying yearly budget shortfalls into the next fiscal year, have been used to paper things over until an economic upswing arrives.

But with Volcker's policies intensifying the recession, these band-aid maneuvers are no longer feasible. Governments face devastating cutbacks on every level of service and employment.

This is generating heated political infighting in localities throughout the nation, as one constituency group after another scraps for the crumbs from an ever-shrinking budget. Some of our largest cities are on the verge of government paralysis, with the media driving home the frustration of the population, as well as the supposed malfeasance and incompetence of public officials.

In this atmosphere, the same financial institutions that have advocated and benefited the most from Volcker's policies of high interest rates and fiscal austerity—policies that are strangling the cities—are demanding "accountability," "realism," and "sound business practices" by local governments. Citing the fraudulent success of Felix Rohatyn's "Big MAC" (Municipal Assist-

ance Corporation) and Emergency Financial Control Board (EFCB) in "solving" the New York City fiscal crisis, these institutions are demanding—and are increasingly getting—similar power to dictate financial terms to other cities.

## **New York results**

Make no mistake about it: the MAC/EFCB solution has been an unmitigated disaster for New York City, media plaudits and Wall Street accolades notwithstanding. In six years under the thumb of Felix the Fixer, New York has become an almost uninhabitable, crime-ridden hellhole for all except a wealthy elite who have made a killing off the huge tax breaks for real estate and other forms of speculation.

New York's services have been decimated. City departments are now functioning with 25-50 percent fewer employees than in 1975, with budgets that have been pared beyond the point of dysfunction. In particular, fire and police response time has fallen drastically, with morale increasingly low.

Large areas of New York resemble Dresden after the World War II bombing, while its once unparalleled cultural offerings have dissipated into the trash of mindless musicals, pornography, homosexuality, and open drug dealing. Hundreds of industries and small manufacturing firms throughout the metropolitan area have gone out of business, replaced by droves of "service industry" employees prone to degenerate "alternative lifestyles." Schools are being shut down, and those that remain are often little more than detention centers and drug dealerships. New York's world-renowned health care system has been so triaged that many potentially curable patients never make it out of the hospital. And the greatest mass transit system in the United States is now on the verge of breakdown after six years of "deferred maintenance."

It is not the case that this is the penalty New York has had to pay for years of profligate spending and phony budget maneuvers. A competent Chapter 11-type reorganization would have aimed to regenerate the industry and municipal services infrastructure already

in bad shape by 1975. Instead, Rohatyn and company now trumpet the big lie of fiscal solvency, as the city moves to the edge of total collapse.

And that is their prescription—and their incompetent goal—for every other American city.

### The MAC push

There are Big MAC-style institutions already in existence or proposed for several cities. Detroit, for example, has a Budget Stabilization Committee comprised of the financial elite from the auto companies, major banks, and so forth, like real-estate speculator Max Fisher. Chicago has an “independent” School Finance Authority headed by Jerome Van Gorkom, chairman of Trans-Union Corporation, one of the largest speculative outfits specializing in rail car leasing.

As in New York City, the Chicago School Finance Authority was created after the bond rating services, Moody's and Standard & Poor's, lowered the Board of Education's bond rating to below investment grade. As its first act, the authority floated a \$573 million bond issue to finance several years of operating deficits by the Board of Education.

In exchange, the school system has been forced to institute cutbacks of nearly 10 percent by the end of fiscal 1981, 25 percent in real dollar terms; grant the authority veto power over the budget; and channel property taxes toward debt-service payments on the bonds, for a total of more than 300 percent of the principal.

The bottom line is that while schools continue to function in the short term, these and future cuts will assure a confrontation with the Chicago Teachers Union and the destruction of what remains of public education.

The creation of the Budget Stabilization Committee in Detroit coincided with the hiring of Rohatyn's Lazard Frères investment firm as the city's financial consultant, with former MAC executive director Eugene Keilin serving as Lazard's point man. As *EIR* detailed in our March 10 issue, the last thing Rohatyn has in mind for Detroit is restoration of automobile manufacturing and heavy industry employment. Instead, he is promoting policies that can only eliminate Detroit as an urban center.

Besides advocating doubling the city's income tax and busting the police and fire unions as the centerpiece in overcoming Detroit's combined \$300 million deficit this year and next, the so-called Stabilization Committee is pushing a policy of creating labor-intensive, low-wage jobs to attract business into the Detroit area, which has an official unemployment rate hovering around 15 percent, with thousands more having dropped out of the labor force. One of their wackier ideas is to promote urban “fringe farming” around Detroit, as not only

alternative employment to manufacturing, but as the local answer to keeping down the high energy costs of transporting food into Michigan from California.

### The Boston paradigm

No major city in the nation is facing a more severe fiscal crisis than Boston. Under the Massachusetts constitution, municipalities are permitted to tax only property, and thus rely almost totally on this tax for their general fund revenue. In Boston, property taxes have stagnated for several years, with many homeowners driven out of the city as mill rates have risen to \$272 per \$1,000 assessed value, or an average 10 percent tax on full market value.

When a new law passed last year stipulating that assessments would be increased to 100 percent of market value, and therefore homeowner taxes would rise anywhere from 200 to 500 percent, taxpayers voted up “Proposition 2½,” a November referendum issue that limits taxes to 2½ percent of market value. Prop 2½ mandates that municipal property tax collections be reduced 15 percent per year until the 2½ percent ceiling is reached.

What this will mean for Boston is an agonizing 65-70 percent cut in its \$860 million general fund revenue over the next five years—when its revenues are *currently* insufficient to meet costs.

The local transit system has already been forced to cut back its budget by several million dollars, resulting in substantial service reductions and 340 transit employee layoffs. Layoffs have also claimed 100 policemen, 200 firemen, and 250 teachers, with all seven police precinct substations and 13 fire companies closed. By July 1, 3,500 to 4,000 of Boston's 12,000 employees are slated to get their pink slips, with most departments suffering 25 percent cutbacks at a minimum. On top of this, the state faces a deficit of more than \$100 million in its budget, making additional aid to localities unlikely.

Given the scale of the crisis, Boston's elected officials as well as the Massachusetts state government are locked in tremendous fights over the apportionment of remaining funds. In this atmosphere, calls are rapidly multiplying for all kinds of MAC-style overseers to force the “tough decisions” the politicians are refusing to make.

Once again, as in the 1975 New York City crisis, Moody's and Standard & Poor's have dropped Boston's bond rating below investment grade, limiting any financing options to the Boston banks controlled by “The Vault”—the Brahmin elite allied with New York investment houses like Lazard Frères.

The immediate crisis impelling Boston toward some form of Big MAC is an impending shutdown of the Boston school system, which exhausted its \$210 million budget on April 28 and needs between \$30 and \$38

million to complete the school year. As of April 30, the Boston City Council, the independent Boston School Committee, and Mayor Kevin White had deadlocked over financing proposals to keep the schools open—as mandated by court order.

The city council has passed a \$75 million bond proposal and tax package that carries provisions for a voter recall of all city officials, including mayoral appointees, and for council veto power over the mayor's ability to transfer funds. The mayor, as expected, has vetoed this, and proposed to the council that he take control of the school budget and have a "special administrator" and then a school superintendent essentially take over the powers of the traditionalist, constituency-based School Committee.

White is also being urged by investment banks like Merrill Lynch to create a "business community advisory board"—an informal MAC/EFCB structure composed of both local and New York bankers—as a way to counter the intransigent city council. The council, on the other hand, is considering legislation establishing an "emergency finance board" that would sharply limit the mayor's budgetary power.

Meanwhile, state Education Commissioner Gregory Anrig has warned that he will ask the legislature to control the Boston school budget. Superior Court Judge Thomas Morse is preparing to put the school system in receivership if no solution is reached and says that in any event he would appoint an independent "monitor" to force the School Department to stay within its budget. Morse has already appointed Harvard Law School Professor Charles Haar as a "special master" to audit the department's books.

The situation was greatly exacerbated when the state Supreme Court ruled that the city had to pay over \$30 million by June 30 in property tax abatements to business. Both White's and the city council's proposals for the schools included freeing some \$18 million in tax abatement escrow funds. The abatement court case is being led by the Greater Boston Real Estate Board, which is dominated by The Vault, and it appears that the city will have to rebate to these firms \$125 million in taxes.

These are the same interests that *EIR* has demonstrated owe the city at least \$236 million in unpaid taxes for this year alone! (See *EIR*, March 3.) That amount is nearly equal to the entire school system budget, with the immediate \$30 million rebate sufficient to cover this year's deficit.

But no one in Boston is willing yet to make this the issue because it means taking on the combined muscle of The Vault and the New York crowd. Instead, the politicians continue their squabbling, while the Big MAC meatgrinder prepares to chop them—and their city—into mincemeat.

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## Tipping the budget vote

This is what we see behind the well-publicized flap between Speaker Tip O'Neill and Rep. Jim Jones over the Democratic response to Reagan's budget. (O'Neill announced in an April 26 press conference that House Democratic efforts to press an alternative budget and tax proposal would fail for lack of votes.) Sources in the office of a key House Democratic leader speculate that Tip may be just a little bit more anxious to defeat moderate Democrats like Jones than to beat the Republicans. "It's either that, or a case of open mouth, insert foot," my source said, adding, "I know for a fact that Tip didn't poll the caucus" before he claimed that Jones's budget proposal would be defeated.

O'Neill's "stab in the back" move was prompted by the gradual accrual of power that the moderate Democrats had been accomplishing in the tax and budget fight. A victory for them on the vote would have certainly assured their ascendancy over O'Neill in the fight for House influence, and simultaneously demonstrated to Reagan that they could retain a critical margin of conservative Democratic votes on all issues.

The fear is, however, that the Democratic budget alternative has been undercut. In spite of this, the caucus is not, I repeat, not sanctioning any action to curb Tip. Note, however, that Chuck Manatt, the Democratic National Committee chairman, and Sen. Alan Cranston are meeting quietly about something.

Russell Hemenway, head of the liberal Committee for an Effective Congress, says he's urging Tip not

to retire (a possibility as early as 1982), because "we don't want Jim Wright to take over—he's too moderate," read "too progrowth." Hemenway complains that there are only 80 to 90 "humanist liberals" in the House. His group, which includes New York Episcopalian Bishop Paul Moore on its board, has an interesting history *EIR* will soon reveal.

## Questions and secrets

Why are the responsibilities of the Assistant Secretary of Defense for international security affairs being divided between designate Francis West and Richard Perle, designate for the newly created office of assistant secretary for international security policy? We see that Perle will run the desks for Western Europe and the NATO countries, and West will have the remainder, but we can't say which one of the two keeps in touch with Steve Bryan, who was fired from his last job on the Hill for passing security-sensitive information to the Israeli Mossad.

Do Senator Proxmire's constituents get their money's worth? Jake Garn apologized for the late start of Senate Banking Committee hearings. Proxmire, whom we see jogging up the Hill many mornings, responded that he thought the 10:00 a.m. opening was much more civilized than the scheduled 9:30. Garn replied that Proxmire should be on the Defense Appropriations Subcommittee: "We start those hearings at 8:00 a.m." "Mr. Chairman, I am on that subcommittee," Proxmire confessed.

A congressional source claims that the Carter people still call the shots at the Department of Justice. After Reagan's legislative affairs assistant, Max Friedersdorf, assured a Republican senator that the

DOJ had been ordered to tone down testimony against his bill, the senator was shocked to hear the same hard-line testimony the Carter administration gave last year. I would like to see the following memo posted at DOJ: "Carter lost, Reagan won."

U.N. Ambassador Jeane Kirkpatrick wanted to keep a big secret. Jeane is going to address the Bilderberg Conference this month. She's very excited about the invitation to what she calls "private, supersecret, inner, inner-elite group," but she wasn't supposed to say anything about it. She told us that she will "blast the Brandt Commission, the whole multilateral approach. The whole North-South approach is wrong. You can't deal with these things as a global situation. You have to handle these things in the disaggregate, on a case-by-case basis."

Jeane is part of a tight-knit family circle that currently runs this administration's relations with international organizations. She was prominent in the conservative Coalition for a Democratic Majority grouping, founded by Norman Podhoretz of *Commentary* magazine, and his wife Midge Decter. Norm and Midge's son-in-law Elliot Abrams is designated head of the State Department's Bureau of International Organization Affairs. Elliot is traveling to Oxford, England, in a threesome with Ed Feulner, a leader of the right-wing Fabian Heritage Foundation, and Sven Kraemer of the National Security Council, son of Fritz Kraemer, the shadowy Pentagon official behind Henry Kissinger's remarkable success.

Sven will among other things attend the Institute for European Studies conference on "European Change."

### Senate Labor Committee seeks Davis-Bacon changes

The subcommittee on Labor and Human Resources of the Senate Labor Committee began oversight hearings on the Davis-Bacon Act April 28-29 to determine whether the committee would urge a number of regulatory changes in the administration of the act, or would seek legislative changes that could mean its outright repeal. The committee began by hearing witnesses from business and labor organizations, but witnesses from the Reagan administration, the real barometer of changes to be expected, have not yet been scheduled to testify.

Subcommittee chairman Don Nickles (R-Okla.) opened the hearings by stating that he "personally" favored the outright repeal of Davis-Bacon, which mandates that workers on federal projects be paid the prevailing wage. "Because of Davis-Bacon, and 77 other statutes that mandate prevailing wages," said Nickles, "it's the taxpayer who ultimately suffers—to the tune of at least \$1 billion a year—because of inflated construction costs."

Orrin Hatch (R-Utah), chairman of the full committee, announced that one recent "significant development" was the obtaining of an OMB task force report prepared but not released under the Carter administration. "It confirms what the critics of Davis-Bacon have been saying for a long time," said Hatch. "It's inflationary." The report proposes a "number of regulatory changes short of outright repeal of the act," Hatch added, which the report claims will

"save \$1 billion annually" for the federal government.

Lester Fettig, the former OMB administrator who led the inter-agency task force that prepared the report, testified that 80 percent of these projected savings could be had by regulatory and administrative changes "without necessitating legislation." Senator David Pryor (D-Ark.) testified on his bill S. 3, which would change the weekly reporting requirement on wages paid on a federal building project to one report at the beginning of construction and another at the end.

### Banking Committee opens hearings

The Senate Banking Committee, under the chairmanship of Sen. Jake Garn (R-Utah), opened the first of its seven hearings on the U.S. banking industry on April 28, with testimony from Treasury Secretary Donald Regan and five federal banking regulators.

Both Garn and William Proxmire (D-Wisc.) pointed out that recent legislative changes, financial mergers, and the effects of high interest rates were endangering the smaller, community-based institutions. He further noted that major money-center banks would probably move into each others' territory first in medium-sized cities, before encroaching on the small banks. Proxmire and Garn replied that it was absurd to compare the banking industry to the retail industry, and Proxmire then added, "What you are really saying is that we will die by inches, and we won't have to see the effects in our lifetime!"

Regan further ruled out the possibility of aid for financially beleaguered thrift institutions in the near future. However, both Garn and Federal Home Loan Bank Board (FHLB) Chairman Richard Pratt suggested that some kind of emergency action might be needed this year. Pratt proposed augmenting the Federal Savings and Loan Insurance Corporation (FSLIC) fund and giving FHLB the power to authorize mergers of financially strapped thrifts across state lines.

Despite their ostensible defenses of S&Ls, thrifts, and smaller community banks, both Garn and Proxmire continue to insist that the major problem facing these banks is government regulation. Ironically, Garn and Proxmire's proposed solution will only lay these smaller institutions open to takeovers by the very giants the two senators seem to fear.

### Congress reviews time limit for RARE II

A Senate energy subcommittee held hearings April 22 and April 23 on S. 842, legislation that would set a time limit within which Congress would have to decide on the RARE II recommendations of the Carter administration. In 1977, the Carter administration began a review of the roadless lands in the national forest system to determine how many acres should be opened up for development. The recommendation: 36 million acres could be considered for multiple use, 12 million acres should be designated as wilderness, and 15 million acres would be put in the further plan-

ning category. Congress, however, has the powers of wilderness designation and has held off making a decision on most of the RARE II proposals. The timber industry has warned that the slowness of congressional action has hampered their planning and operations to such a degree that the economy is imperiled.

The legislation, introduced by Sen. S. I. Hayakawa (R-Calif.) and cosponsored by James McClure (R-Idaho) and Jesse Helms (R-N.C.) would open up Eastern lands to development if by 1983 they have not been designated as wilderness. The same would apply to Western lands by 1985.

Presidents of the major environmental groups testified against the bill at the Senate hearings.

The Department of Agriculture, which has jurisdiction over the forest lands, came out strongly in favor of the legislation, as did the Interior Department. The subcommittee plans one more set of hearings on the bill.

## House committee examines U.S. capital formation

Representative John Dingell (D-Mich.) launched a "long-term inquiry into capital formation and industrial policy" April 27 and April 29 in the subcommittee on Oversight and Investigations of the House Energy and Commerce Committee, which he chairs. "We will be looking at problems in the American economic machine," said Dingell in his opening statement. "The engine of the economic machine is the capital formation process, broadly defined in its

*qualitative* as well as its quantitative dimension—that is, as the accumulation of tools and skills."

The committee heard calls for various proposals, including a "National Industrial Development Bank" using surplus OPEC funds, a "Reconstruction Finance Corporation," and tax changes. Despite Dingell's expressed concern over the collapse of basic industry, the testimony taken by the committee from government, business, labor, academics, and economists, has so far been dominated by tub-thumping calls for wage and price controls and outright calls for "rationalization" of industry.

Both Walt Rostow, a former NSC official under President Kennedy, and Gar Alperovitz, codirector of the National Center for Economic Alternatives, who is closely tied to the Institute for Policy Studies, called for wage and price controls.

## Senator urges 'two tracks' on Euromissile negotiations

In a dialogue with Assistant Secretary of State for European Affairs Lawrence Eagleburger April 29, Sen. Joseph Biden (D-Del.) stated his belief that U.S. negotiations with Europe over the position of theater nuclear weapons is the single most important issue facing the Western alliance. Noting that he had just met with a group of West European parliamentarians, Biden stated, "Every one of them, from British conservative to Belgian socialist, said that it was of utmost importance that the U.S. adhere to the second track of ne-

gotiations—a legitimate effort on arms control." Biden was referring to European concern about the stationing of tactical nuclear weapons in their territory. The Europeans acceded to the stationing, on the condition that the United States undertake serious negotiations with the Soviet Union to reduce tactical weapons deployments on both sides; Europe hopes to eliminate the need for the weapons placement.

Biden, in particular, pointed out the Reagan administration's attempt to withdraw from NATO statements the language reaffirming the American commitment to a second track.

Eagleburger, who came before the committee as part of his confirmation process, assured Biden that "President Reagan reaffirmed our commitment to two tracks when Prime Minister Thatcher was here; if modernization is to go forward, we must live up to the second commitment."

Eagleburger, who has been closely associated with both former Secretary of State Henry Kissinger and the Carter administration—two entities known for their enmity to the Franco-German alliance—seemed to bend over backwards to assuage European fears. He emphasized, "There are substantial segments of the Western European population that doubt the significance of the Soviet threat and do not see it in the striking light that we do. I hope the U.S. will be a steady and consistent leader in partnership with our allies and that we will listen and adapt accordingly during the process of consultation. I think the key is real consultation."

# National News

## NASA invents drug 'remote sensing' system

The Reagan administration has announced the completion of a "remote sensing system" developed under contract by NASA that can "detect opium poppy fields at varying stages of maturity so that eradication crews can destroy the poppies before they are harvested."

The system uses an electro-optical scanner, mounted on a Lear jet scanning platform which flies at 35,000 feet altitude to scan several thousand square kilometers during a flight. A ground-based data processing system similar to that developed for the Landsat satellite can provide a 24-hour turnaround to provide the location, size, and total amount of opium poppies detected.

The system will be used by Mexico to check opium poppy growth, and will be used as statistical information by Mexico's development programs to encourage "alternate sources of income to rural poor whose principal source of income from illicit narcotics [will be] lost because of the eradication program."

In line with the renewed U.S.-Mexican cooperation in drug eradication, U.S. and Mexican law enforcement officials recently met in Mexico City to discuss cooperation in antidrug programs. Attending were Mexican officials, U.S. police chiefs, judges, district attorneys from U.S. South and Southwestern states, and U.S. federal drug enforcement agents.

## Kennedy: kill fusion, breeder programs

In an op-ed in the April 28 *New York Times*, Sen. Edward Kennedy (D-Mass.) called for ending all government funding for fusion and breeder reactor research.

Rather than his usual argument based on the purported environmental danger of nuclear power, Kennedy posed

his opposition to the program totally within the format of the "cost-effectiveness" arguments used by the fiscal conservatives at the OMB.

"The fusion and breeder reactor programs are hand-me-downs from the 1960s," which have outlived their usefulness, since in our zero-growth economy, "electricity demand is hardly growing at all."

In any case, Kennedy says, we can always go back to coal. "It is hard to understand why the federal government, in an era of drastically tightened budgets, should be spending billions of dollars over the next decade to try to create a substitute for coal—our most abundant domestic energy resource."

Kennedy also called the breeder reactor program "only a Comprehensive Employment and Training Act program for nuclear engineers." Only energy programs based on solar energy and conservation should be funded by the government, the Chappaquidick senator concluded.

## Donovan raids nonunion sweatshops

Secretary of Labor Ray Donovan has hit the Socialist International right in the pocketbook by personally leading the first in a series of raids against New York City garment sweatshops. Donovan's Labor Department conducted an investigation that revealed extensive use of child and other slave labor in the New York sweatshops.

At the Chinatown shop raided by Donovan, the secretary found both 90-year-old and 10-year-old Chinese employed at \$1 an hour.

Saying that no one could utilize the services of a sweatshop without knowing it, Donovan said he would push Congress to pass a labor law "with teeth in it to ban sweatshops." He also said that he would seek the support of manufacturers and the unions for stiffer policing, adding that the sweatshops could not exist without union indifference. "We are going to keep coming back until they

offer these people a decent wage," he vowed.

The New York sweatshops have operated for years under the nose of the International Ladies Garment Workers Union (ILGWU). This same ILGWU leadership has also been since the 1920s the center of Socialist International penetration of the U.S. labor movement. In fact, the headquarters of the Social Democrats U.S.A., the Young Peoples Socialist League, the League for Industrial Democracy, and various "free Soviet dissidents" groups are all located at the ILGWU's New York headquarters.

## Teaching depopulation to federal employees

The U.S. State Department is using a video, sound, and slide show program given by a California group called "Creative Initiatives" to inculcate State Department employees with the ideas embodied in the *Global 2000 Report*, EIR has learned.

The program, given at retreats at CI's center in the Santa Cruz mountains, is based on the idea that "man must live in harmony with nature," and not try to transgress his environmentally ordained limits. Such leading environmentalists as Jacques Cousteau, Norman Cousins, John Gardner, and James Joseph are featured in the various audiovisual segments of the program.

Creative Initiatives was founded 20 years ago by Stanford Law School professor Harry Rathbun and his wife Emilia. Its current active membership amounts to several hundred people, including Stanford Business School dean Gary Williams. The group has worked closely with Willis Harman, of Stanford Research Institute, whose counterculture studies were the basis for Marilyn Ferguson's book *The Aquarian Conspiracy*.

In addition, BBC veteran Adrian Malone, the producer of Carl Sagan's kooky Cosmos TV series, is working with Global 2000 author Gerald Barney and Creative Initiatives to produce a six-hour film



series popularizing Global 2000 for airing nationwide by the Public Broadcasting System. The project will cost over \$6 million, which they hope to raise from ARCO's Robert O. Anderson, who is a member of the Club of Rome and founder of the Aspen Institute.

## Haig endorses Global 2000 doctrine

Secretary of State Alexander Haig, testifying April 28 before the House Appropriations Subcommittee on Foreign Operations, endorsed the population doctrine of the Carter administration's *Global 2000 Report* as a "national security" issue. In prepared remarks before the committee, Haig stated that "security and development questions must be seen in the context of international challenges that confront us. . . . We and our allies are now more vulnerable to international unrest and violent change."

Haig told the committee that the "Soviets are now capable of supporting an imperial foreign policy. . . . Soviet adventurism . . . appears to conform to a basic and ominous objective—to strike at countries at or near basic resource lines vital to the West.

"All of this," said Haig, "comes at a time when the world population will increase from 4.4 billion in 1979 to over 6.3 billion by the end of the century, with 90 percent of this increase in the poorest countries. Economic dislocations of this magnitude create conditions for violent disruptions, with dangerous political consequences."

These latter statements are lifted almost verbatim from the population summary section of the Global 2000 report and its implementation document *Global Future*.

In his testimony today, Haig gave cause for new speculation about a State Department "triage list" of underdeveloped nations that receive U.S. aid. After indicating that he regarded population problems as national security questions, Haig stated: "In formulation of economic policy, in decisions about the alloca-

tion of our scarce resources in all economic decisions, a major determination will be the need to advance our security."

## California 2000 group formed

As suggested by depopulation advocate William Paddock, a group called California 2000 has been formed "to attempt to apply the principles of the *Global 2000 Report* to a U.S. state the size of California." California 2000 is directed by Charles Warren, the former director of the Council on Environmental Quality (CEQ), who first suggested the idea of the *Global 2000 Report* to the Carter administration in 1977.

"We use the conclusions of Global 2000," Warren told a reporter, "particularly in the area of population. California is proximate to Mexico, an area of high population growth which will be a massive source of immigrants to the U.S., and half of those will come to California. This will have a massive dislocative effect on our health, education, welfare, resources, and environment. We can either do nothing about it, and be overwhelmed, or we can erect effective legal and physical barriers to immigration. . . . One idea we're looking at is to set up enterprise zones along the border, combining Mexican labor and oil with American knowhow. By keeping the development to the borders, and not the interior, we can make sure that northward migration stays on the Tijuana side."

Warren said that California 2000 has done extensive studies on the state's capital-intensive agriculture, and has concluded that irrigation is turning the state into a desert and must be stopped, even though he admitted that irrigated cropland in California produces 10 percent of all food in international trade.

California 2000 will hold a Los Angeles conference May 9, featuring Victor Palmieri, Carter's coordinator of refugee affairs who was in charge of "relief" efforts in Uganda that resulted in roving armies of refugees looting the devastated country.

## Briefly

● **THE NCEC** (National Committee for an Effective Congress), a McGovernite lobbying group, is reportedly overjoyed that the National Conservative Political Action Committee (NCPAC) plans to defeat a target list of moderate Democrats. House Majority Leader Jim Wright, House Budget Committee chairman Jim Jones, and House Ways and Means Committee head Dan Rostenkowski are major NCPAC targets, although all are far from liberal. NCPAC cites votes for nuclear energy, the NASA space program, and Western water development as key reasons why the three should be thrown out.

● **THE UAW'S** reaffiliation with the AFL-CIO is intended by United Autoworkers chief Doug Fraser to liberalize and "reform" the AFL-CIO from within, and turn it toward the Socialist International, according to Fraser's associates. AFL-CIO President Lane Kirkland favors the move for the same reason.

● **JAY GOLDBERG**, defense attorney for three Teamster leaders charged in New Jersey federal court with a "labor peace" bribery scheme, summed up by targeting key prosecution witness "Little Ralphie" Picardo, a protected federal witness. "Ought I, as a juror, hesitate to act on the word of Ralph Picardo for an important decision in my life? I ask you by your verdict of 'not guilty' to hurry Ralph Picardo on his way to his trial [for murder] and help us end this odious safe-haven provided by the federal government."

● **STATE DEPARTMENT** spokesman Beagle has labeled the idea of inviting French and German heads of state to attend the upcoming bicentennial of the Battle of Yorktown that ended the American Revolution as "nonsense." Said Beagle: "That's just fantasy."

## **An alternative to the strategic reserve**

*A cost-effective way to cut through the current impasse on the oil stockpile idea—with a different kind of reserve.*

I have a serious proposal to transform the present debate over the future of a white elephant known as the Strategic Petroleum Reserve (SPR). It is worth the attention of the administration and members of Congress. Certain New York and London banks and their friends at certain major oil companies, however, may be unhappy.

The unfortunate 1975 bill, Energy Policy and Conservation Act, the brainchild of Sen. Scoop Jackson during the Ford administration, mandated creation of a government-owned stockpile of petroleum of 1 billion barrels. This would be approximately a 90-day supply, theoretically to see our nation through any possible Middle East supply disruption.

Domestic oil and gas producers rightly argued that a further guaranteed purchase of world oil of that scale would only help OPEC, London, and New York banks, and hurt domestic energy production. The storage sites, in Texas and Louisiana salt domes, had leakage and pumping problems. In short, the spectacle of the U.S. government buying crude on world markets in sizable amounts strikes many domestic producers as a foot in the door for British-style nationalization of the oil industry.

Right now, the Reagan administration is in a quandary between the national-security argument and pressures to save an immediate \$3 billion of tax money, as the Senate

has recommended, by scrapping the program and having industry privately fill the stocks.

The SPR is currently dumping a sizable 300-400,000 barrels (about 10 percent of current imports) every day into salt caverns in Louisiana, maintaining upward pressures on oil prices by, in effect, burying it. The major oil multinationals, especially the BP-Shell group, whose "C-stream" grade crude oil from Libya, Nigeria, and the North Sea has comprised nearly all the SPR purchases so far, hope to keep the stockpiling up, along with prices.

Here is one alternative proposal suggested by Dr. George Hazelrigg, director of Systems Engineering at ECON Inc. in Princeton, N.J.: take the same approximate \$50 billion of tax revenues needed to buy 1 billion barrels of oil, and use it to create what we can call a Strategic Nuclear Reserve (SNR). Instead of spending tax dollars to keep oil prices and inflation artificially high, invest in a government-funded effort to build fifty 1,000 megawatt nuclear power plants. Further, let's concentrate them in the Northeast and regions where oil-fired power generation is creating the nation's greatest supply vulnerability. Now, anticipating howls from the well-financed antinuclear hysterics we, of course, will not make the nuclear plants operational—we will only use them as a backup in event of crisis in our expensive oil-fired plants. But should we,

Lord forbid, ever have to then use our SNR we would not have a 90-day backup. No, we would have a 30-year backup (average nuclear plant life), equivalent to 1.5 to 1.7 million barrels of oil/day, or 30 percent of our present imports.

Of course, the fact that spending \$50 billion over a 10-year period will use about \$10 billion per annum of tax dollars, funneled to our ailing steel industry, construction, and skilled labor markets, further helps take people off unemployment and into the mainstream of the economy—the true opposite of Keynesian economics. And, if we figure a "multiplier" of spinoff jobs into the economy of such a construction boom, aside from the fact that it may save the single most valuable industry—our nuclear industry—Hazelrigg calculates real costs to taxpayers over the decade would only be about \$10 to 15 billion net of tax revenues generated by the program itself.

Certainly, you may say, this would require us to stockpile an emergency uranium reserve to fuel our SNR should we ever have to use it in an emergency.

Well, this too is not all to the bad. Such a demand could easily be purchased from domestic uranium companies who are presently being bankrupted and taken over by foreign-based conglomerates. It could help save our domestic uranium industry. And, if some clever person in the administration seriously thought about tax incentives, and reversion of ownership after a certain point, someone might even demand we turn on these 50 nuclear plants and begin using our new 30-year Strategic Nuclear Reserve today. I, for one, would hardly protest.