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Executive Intelligence Review

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# EIR

## From the Editor

**T**o term Middle East politics “byzantine” is more accurate than the speaker usually knows. The region is an arena of conflict, not primarily between Arabs and Jews, or the United States and the Soviet Union, but, on the one hand, between the ancient cult-created networks who run much of the Soviet KGB, the Israeli Mossad, and the fundamentalist Muslim Brotherhood, and on the other, those factions whose diplomacy is presently headed by Saudi Arabia’s Prince Fahd, seeking to build modern sovereign nations.

That is the background of the war danger specified in our Special Report and in our International coverage of the Fahd plan. London, which inherited a certain coordinating role amidst those byzantine networks, has been uncommonly alarmed by the past three years of *EIR* exposés of the Muslim Brotherhood/KGB/British Secret Intelligence Service operation, particularly our more recent anatomies of the Russian Orthodox and associated intelligence controllers. The first installment of a new series on that subject is included in the Special Report.

There is a specific American angle to the KGB/Mossad collusion, involving Detroit’s Max Fisher and Georgetown University’s Henry Kissinger, which is explored both in the Special Report and in our National section. Future reports will elaborate the scope of subversive activities by Fisher’s United Brands Company.

We also present two important Latin American stories: the history of the economic and demographic destruction of Colombia, potentially one of the continent’s richest and most stable democracies, and the policy stakes at the core of the fight in Mexico over government assistance to Monterrey’s private-sector Alfa group.



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## The implications of a U.S. business collapse

by David Goldman, Economics Editor

Off the record, administration economists now believe the present industrial collapse will be substantially worse than that of 1974-75, i.e. the worst since the 1930-31 breakdown—a particularly striking conclusion, since the economy only functioned at the best levels of 1978 during the peak of the false recovery earlier this year. With auto production levels the worst in 20 years, housing starts the worst in 15 years, and unemployment certain to exceed the post-war record of 9 percent during the month of November, it is clearly time to say that the American economy is now in a depression.

The global consequences of this fact, and the reverberations of the global effects back into the United States, are the subject of frantic discussion at the Federal Reserve, the Bank of England, and the “mother” of the industrial nations’ central banks, the Basel-based Bank for International Settlements. Morgan Guaranty Trust chief economist Rimmer de Vries, the dean of Wall Street international economists, had already warned in a Nov. 16 discussion with *New York Times* columnist Leonard Silk that a sharp and prolonged industrial downturn in the West could lead to a “world depression”; such a conclusion first appeared from such sources in the text of the Bank for International Settlements’ 1981 Annual Report released this June, in which the bank’s chairman, Jelle Zijlstra, warned that national governments’ failure to reduce their budget deficits meant an economic decline “like that of the inter-war years” 1929-39. Since the budget deficits were the direct or indirect results of the Federal Reserve monetary tack approved by the Bank for International Settlements, the predictive quality of the June statement is striking.

At their last meeting at the beginning of November,

the central bankers who attend BIS monthly conclaves told the press that—contrary to the enthusiasm of the bond market during the past month—the present drop in U.S. interests rates was illusory, and that rates would go up again. Whether the bond market’s Nov. 17-18 stall, following a single day’s sale of \$1 billion in corporate bonds and the announcement of \$2.25 billion of new issues reflects the end of a rally that brought long-term bond prices up over 13 points is not so much the question; the point is that the debt-refinancing requirements of households, corporations, state and local governments, the federal government, and large international borrowers represent an extraordinary continuing source of credit demand. Until major corporate bankruptcies, and a few major international bankruptcies, work their way through the system, there is no real prospect for a sustained drop in interest rates—short of a dramatic policy turn at the White House.

### ‘We’ll call a five-minute recess’

According to a senior economic adviser to the IMF, “The real fear isn’t that the developing countries can’t go on borrowing,” which the U.S. Treasury had made a public spectacle about at the IMF affair. “The fear is—and this is what [Morgan bank’s] Rimmer de Vries is talking about—is that if there is a replay of 1974-75, or, more accurately, 1928 to 1929—these countries’ deficits will open right up, and the system will be unfinanceable. The question is, what type of threat is there to the system: if it were a matter of an error at one or two banks, or a problem of one or two countries, then the central banks could handle it through regulatory policy,” that is, by cutting back lending, or re-



scheduling debts, or bailing out banks. "There are already some effects of tighter regulation, such as more prudent lending to banks from countries where the regulatory regime is thought not to be good. But that doesn't deal with a major recession on the 1928 or 1929 scale. In this situation both the terms of trade and the ratio of these countries' exports to debt service deteriorates like mad.

"There is perhaps more thinking at the staff level of the Bank of England and the Bank for International Settlements on the 'lender of last resort' function than most people think," the IMF adviser said, "but not nearly as much thinking as needs to be done. In this sort of situation it is impossible to anticipate every crisis. You have to wait until it strikes, and then ask for a five-minute recess. I repeat, you cannot anticipate a crisis. It is a very distressing situation."

In economic terms, the problem is no different from what we have discussed for some months (see *EIR*, Aug. 12, 1981): with a debt-service bill in excess of \$100 billion at current interest rates and total debt of over \$600 billion, the developing nations face a current-account deficit in the range of \$100 billion (trade deficit plus interest on debt plus services deficit). To manage their debt-service requirements, most of the major debtors, Brazil, Korea, Argentina, Turkey, the Philippines, and so forth, have drastically increased their exports. To shovel out these exports they have had also to increase their imports of raw materials, fuel, and so on. A collapse of their markets (the United States, as President Reagan told the IMF audience, imports 40 percent of the developing nations' total non-oil exports) means a collapse of exports both in price terms (because much of their exports are price-volatile raw materials) and in volume, and hence a collapse of their ability to service their debts. The banks will be in real trouble.

This coincides with a situation in which the Chryslers, International Harvesters, and Pan Ams are not expected to make it through the winter, and where American Airlines and Eastern Airlines are respectively demanding of their employees a pay reduction and a pay freeze. That the corporate liquidity situation is worse than that of 1931 we emphasized in the last issue. More significant in the present case is that the Fed supported by such congressional allies as Joint Economic Committee co-chairman Henry Reuss, is determined to have a bitter enough depression to destroy the American labor movement. In other words, the Federal Reserve, which "knew we were engineering a recession when we adopted the present monetary policy," as a staff economist put it, wants to use the threat of bankruptcy hanging over the early 1982 round of wage negotiations to ensure that the reduction in real incomes is steeper than the 1.6 percent drop of 1980 and the 4.5 percent drop for 1981 (for a family of four) over the

coming several years. Reuss's advisers believe that the crushing impact of the next several months' industrial downturn will obviate any need for controls over wages, prices or credit, because the threat of unemployment will be sufficient to bring down wage demands.

"If we perceive that the present policy is leading toward a depression like that of the 1930s," said a Fed economist Nov. 18, "we will raise the aggregates target for money supply growth. The President won't have any problem persuading us of that." There is no need to take such statements seriously; the notion that in the midst of a collapse of debtor-creditor confidence the Federal Reserve might regenerate additional lending to the real economy through simple open-market operations derives from Milton Friedman's fraudulent argument that the Federal Reserve caused the 1931 collapse by withdrawing money from the banking system. In fact, no central bank is capable of reversing a panic of this sort through conventional methods.

The current thinking of the White House—according to sources in close touch with the President—centers on how to get rid of Fed Chairman Volcker. A few White House leaks toward this point have come out in the last week, e.g. a Nov. 17 *New York Post* story accusing Volcker and his associates of being "Carter plants" out to "ruin the President" through recession. (One senior Fed staffer responded, in all seriousness, "If the truth were told, we were responsible for the election defeat of Jimmy Carter. The Fed is evenhandedly destructive of the political careers of American Presidents.")

For the first time, a proposal for a pro-industry, directed-credit, two-tier solution to the interest-rate holocaust is getting at least serious study from the White House, sparked by receipt of a plan by the National Association of Homebuilders to issue direct cheap credit to homebuilding and other basic industry. But Federal Reserve officials scoff at the idea that the President could stop his ears to the noise of "20 chief economic advisers and no economic policy," and take on the central bank, now the most powerful institution in the United States. One says, "By the 1982 congressional elections, Paul Volcker will be the only point of stability in this administration."

Whether Mr. Reagan can maneuver through the present crisis is a matter of the capacity of a man with limited understanding of the nature of the crisis to learn on the job very, very quickly. His effort to examine the gold issue seriously represented a good instinct, but will likely founder on the recalcitrance and sabotage of his Gold Commission. The one thing that is certain is that the January timetable the President has set for economic policy re-examination represents the last chance this generation has to avoid the Great Depression their parents endured.

# Reuss aide predicts a 'donnybrook' in the federal budgetary process

*Joint Economic Committee Chairman Henry Reuss (D-Wis.) expects a confrontation with the White House and blowup of the budget process Nov. 20 over the budget-appropriations continuing resolution, JEC staff chief Jamie Galbraith told financial sources Nov. 16 who provided the following interview to EIR.*

**Q:** Reuss expects a blowout of the Reagan economic program to lead to a victory for Fed Chairman Paul Volcker's strategy of busting the American labor movement. Do you think that such a blowout might force the President to impose Nixon-style "Phase II" controls? That's what Herb Stein predicted in yesterday's *Baltimore Sun*.

**A:** Wage-price controls will not be necessary. The recession will be deep enough and long enough for the administration to get what they want out of all the myriad wage negotiations coming up next year. These unions, starting with the Teamsters and the UAW, are going to be coming into negotiations with 9½ or 10 percent unemployment, and their wage demands are going to be correspondingly mild—particularly with the financial conditions most of their industries are in. Do you think the Teamsters want to bankrupt 20 percent of their employers? Does the UAW want the Chrysler loan guarantee withdrawn, or the banks' loans to Ford?

This kind of recession is the deliberate strategy of the administration, a strategy to carry out Volcker's prescription of reducing the costs of wage inflation. The administration, led by Donald Regan, is carrying this out.

**Q:** What is Reuss's long-term scenario for the economy?

**A:** Look, forget long-term, you should be really worried about the short term. We're about to have a donnybrook over the continuing resolution which could shut down the government. If you have any elderly relatives living on government paychecks, you better figure out how to feed them next month.

Ronald Reagan is taking the nuclear-cowboy approach to the budget resolution. Apparently, under the advice of Donald Regan, he met with the Republican congressional leadership last Thursday [Nov. 12], just

before taking Stockman to the woodshed for lunch, and the Republican Congressmen told the President they just can't get one more cent of budget cuts through. No matter what they do, they told him, the Senate and House Appropriations Committees will act by Nov. 20 to pass a continuing resolution on the budget which will continue the fiscal 1981 levels through at least March 30, 1982, and likely through Sept. 30. That is, Congress wants no more budget cuts for fiscal '82 over '81.

Reagan now intends to veto such a continuing resolution, which means the lights go off on Capitol Hill after Nov. 20. We expect a donnybrook. The President was totally unsympathetic to the Republican leadership, and we think he's going for a blowup. If he vetoes the resolution, his agents in Congress led by Phil Gramm [D-Tex.] will then propose an alternate resolution cutting the budget 6 percent or 12 percent across the board. But that would amount to administration fiat, to a stifling of the budget-appropriation process. The Appropriations Committees will never agree to this, they'll say it destroys the appropriations process. Then the lights go out.

**Q:** But, why—just when he has the Haig, and Allen, and Stockman affairs—why would Reagan seek a blowout now with Congress?

**A:** It's called the "Masada complex." Some of his advisers think he can get away with it—mainly Donald Regan.

This administration is going into the Thatcher syndrome. They're just going to force major slashing of the budget, just set their jaws and cut more and more, and either they will have to raise taxes, or the states and cities will have to raise revenue to make up the difference.

**Q:** What will happen, then?

**A:** Well, Congress can't override Reagan's veto, they're just trying to fake him out. Congress is not in the driver's seat. Reagan has gone back on all the deals he made with the Midwest Republicans in August, and is now asking for additional 12 percent cuts in the programs he promised them he would not touch. He's committed to confrontation.

The impact of the Stockman affair is it undermines Reagan's credibility, and forces him to confront the



Congress and vindicate his program. This confrontation is designed to force through policies that would not otherwise go through—including the Federal Reserve's tight-money policy.

Money will be kept tight, and there will be a huge recession—a deep depression, you could call it. Sure, there will still be a huge budget deficit, because the kinds of things they are going to cut will not help balance the budget, but only create more spending in other areas. So the deficit will have to be financed, and that means that the government will take up the credit in the markets.

Interest rates will be kept under control under these conditions simply by the fact that the recession will simply cut out a corresponding amount of credit demand from the private sector. I'd advise you to get a job in the public sector. The private sector will be out of work. Chrysler will go under, because they have to show they're viable to get the rest of the loan guarantee, and can they? Even if they do, there's only \$300 million left in the kitty, and do you know how fast Chrysler can eat that up? International Harvester is going under, there will be other corporations. Then the cities will start to go under—that could be interesting. It's going to be a long, hard recession.

## IMF: Reagan is too soft on budget cuts

*The following interview with Brian Stuart, Deputy Director, North American Division of the International Monetary Fund, was provided to EIR by a journalist.*

**Q:** Would you endorse David Stockman's criticism of the failure to get U.S. budget deficit under control?

**A:** Yes, to the extent people sit down and read Mr. Stockman's *Atlantic Monthly* article, that will be educational for the President.

**Q:** The President? But I thought the President wants to cut the budget, and the problem is Congress won't do it.

**A:** No, I would say the President has needed an added incentive to cut the budget. Reagan has been complaining that Congress is balking on cuts, but in fact he has not submitted serious enough cut proposals himself. He has submitted none of the specifics on his Sept. 24 proposals, and Congress is still waiting for direction. He's sat back.

Reagan is only demanding an \$8.4 billion cut for fiscal 1982. When he says he now wants a 12 percent cut over the August authorizations, that means a 12 percent cut in discretionary spending, which comes out to \$8.4 billion. But he also proposed an additional \$2 billion on defense, \$2.6 billion on entitlements, and a \$3 billion tax increase—that is, another \$7.6 billion. None of these have ever been clarified, and as far as we can see, most of them, especially the tax increase, have been dropped until January. Calling for 12 percent cuts in a copout. We agree with the Wharton econometric model's estimate of a 1982 deficit of over \$90 billion. Cutting \$8.4 billion is significant, but it still leaves an \$82 billion hole.

Reagan will, of course, veto the congressional resolutions, and then they will have to give him his 12 percent cuts for the government to say open. But that is simply not enough. Just because the President gets one veto, that doesn't mean he's won the battle. He still has to go back in January and demand more appropriation cuts for the '82 budget when they present the '83 budget. They should try for at least \$20 billion.

**Q:** But with these budget deficits, don't you expect a financial-market panic?

**A:** That depends on how much the economy weakens. We can have as big a deficit as Reagan likes, if the economy weakens enough. If there is little private-sector corporate borrowing, if the deficit is only rising because the economy is weakening, then it just means that the government borrows what the private sector will not, and interest rates stay the same.

**Q:** You mean you would allow for what Nixon's OMB Director George Shultz called a "full-employment deficit"?

**A:** Why not, as long as we have a long, deep recession?

**Q:** Just how weak will the economy be?

**A:** Well, it's dropping pretty rapidly, that is ensured by the Federal Reserve's tight monetary policy. This takes the pressure off the Federal Reserve, which must continue with tight money as long as there are major budget deficits.

Our forecasts have been the most accurate, because they are based on [Fed] monetary targets—and our forecasts show the economy dropping pretty rapidly. We knew those targets were not going to change and, indeed, they haven't changed. The Federal Reserve has enforced a very low rate of growth, I'd say negative 4 percent in real terms for the fourth quarter of 1981. And if you assume 1981 is very bad, then our projections hold for 1982. We projected a 1 percent or negligible rise in real GNP for the fourth-quarter 1982 versus fourth-quarter 1981. If the latter is negative 4, then 1982 as a whole is going to be negative. Wharton is still saying 1982 will be plus 0.5 percent, but we think they'll have to revise that.

# Mexico's Alfa bailout

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*The problem was not rapid growth, reports Timothy Rush; it was exorbitant credit costs, for which there is a potential remedy.*

The financial difficulties and subsequent government bailout of Mexico's largest private-sector conglomerate, the Alfa group of Monterrey, have sent shock waves throughout Mexico and much of the foreign business community there.

The conclusion being drawn by many is not the one the Mexican Social Democratic Party, Milton Friedman's Mont Pelerin Society, and other monetarist strategists are trying to impose by charging that the bailout is improper and rife with illegalities. Rather than issuing a go-slow signal to combat "overheating" of the economy, as typified by Alfa's alleged over-rapid growth, government factions are examining closely the possibility of installing exchange controls to put up a barrier against the U.S. Federal Reserve's interest-rate warfare. Such a measure, urged publicly by, among others, the Mexican Labor Party (PLM), would immediately force Mexico's private-sector borrowers back into the domestic credit markets. Combined with issuance of low-interest government credit bound tightly to productive uses in Mexico, the nation would be able to maintain its high-growth commitments.

## **Alfa's role**

Alfa has been the flagship success story of Mexico's impressive corporate expansion of the past six years. Its assets grew in real terms between 30 and 50 percent for each of the years since 1975, currently coming in at close to \$5 billion. The number of employees grew from approximately 9,000 in 1974, when Alfa was split off from the Monterrey Group, to today's 49,000. Net profits in 1980 stood at \$160 million; Alfa ranked among the top 250 non-U.S. corporations worldwide.

The news that Alfa was facing a financial squeeze, first leaked into the press in late June, was followed in mid-October with an announcement that the government had moved in with a \$680 million bailout package. Arranged through the government bank Banobras, it provides for a \$460 million credit line direct to the holding company, and state purchase of \$200 million in preferred stock of some of Alfa's subsidiaries.

Though this was by far the largest such package

ever arranged through Banobras, the political effect of the deal surpassed its economic magnitude. For over half a century, Monterrey has been "Mr. Anti-Government" within Mexican private-sector circles. Suddenly Monterrey's flagship conglomerate found itself in the situation of depending on the government for a bailout.

At the same time Alfa undertook a major retrenchment. It laid off 2,500 executives, (for savings of some \$65 million), as well as an undetermined number of blue-collar workers, and halted delivery of seven corporate jets, worth \$28 million. According to reports Alfa has not denied, it divested itself of Power Electric, a subsidiary producing electric motors; Cimas, a washing-machine producer; and a joint venture with Moulinex of France, producing electric household appliances. Alfa also postponed a new joint venture with the German firm BASF, and canceled new projects with DuPont, Northern Telecom of Canada (to manufacture telephone switchboards), and Siemens (to manufacture industrial steam turbines).

The company plans to concentrate on its basic units: the successful steel firm Hylsa; two petrochemical plants; paper; consumer-goods lines under the Admiral, Philco, and Magnavox labels; and remaining real-estate interests (notably the Las Hadas luxury resort on the Pacific Coast).

## **What happened?**

The remarkable thing about the voices proclaiming "overheating" of the economy—the Social Democratic Party (PSD) within Mexico, among others, and such outlets as the *New York Times* and the *Financial Times* abroad—is that they were insisting on slashing Mexico's pace-setting 8 percent growth well before the Alfa case came along. There is well-grounded suspicion that they represent interests which may have had a hand in targeting Alfa directly precisely in order to haul down the Mexican economic boom.

*EIR's* investigation shows a very different story, of an industrial giant put through the wringer by the international regime of Volcker's high interest rates and "long knives" taken out against Alfa by rival factions

within Monterrey itself.

As Alfa's management has stated, the crucial element in the firm's current difficulties is the sustained usurious climate of high interest rates. Because of scarce domestic credit, Alfa has leveraged most of its expansion on foreign borrowing over recent years. Its current foreign debt is \$2.5 billion. Volcker's renewed runup of interest rates at the beginning of this year added \$110 million to 1981's already high debt service of \$390 million. At the same time the high interest rates and scarcity of domestic credit dried up consumer purchases of Alfa's real-estate and consumer-goods lines.

This is the squeeze that fundamentally caught Alfa. In addition, there was internal corporate weakness, as some of Alfa's acquisitions, essentially asset-stripping operations, caught up on the company. However, the basic corporate profile, built around Hylsa steel, was and is solid.

Badly hit by the interest rates, Alfa turned to the foreign markets for new loans. Suddenly, in July, the door was closed. It is reported that an Alfa \$200 syndication was only 40 percent subscribed, and Alfa junked the entire borrowing.

The government bailout was the next step. One reason for the government's move was certainly preserving important productive forces in the economy. The Banobras loan is structured to give priority emphasis to completion of Hylsa's current steel expansion, and construction of new pulp plants in Durango.

But the political dimension was equally important. At the beginning of President López Portillo's term in 1977, he proposed an "Alliance for Production" with the private sector to rebuild the cooperation between the state and private business which had been shattered in the last years of Luis Echeverría's government. The man who stepped forward to reciprocate from the Monterrey private-sector command post was Alfa's Bernardo Garza Sada. Other Monterrey "chieftains," such as VISA's Eugenio Garza Lagüera, held back.

### **The long knives**

Alfa's alliance with the government is in fact the element of the situation uppermost in the minds of knowledgeable Mexicans. There is a long history here of fundamental importance.

The enmity between Monterrey's patriarchal, one-family industrial and beer empire, and leading elements of the Mexican government was unbridgeable until President Echeverría entered into delicate negotiations with the 80-year old Eugenio Garza Sada in 1972-73. The completion of these negotiations would have redrawn the map of Mexican politics. Suddenly, in September of 1973, Eugenio was assassinated by terrorists who had been trained by local Jesuits; substantial evidence exists indicating that in fact the hit was ordered

by factions in Monterrey's extended family networks who opposed reconciliation with the government.

It was on the basis of Eugenio Garza Sada's death that the Monterrey Group was broken up into separately administered holding companies. The largest were Alfa, based on Hylsa, and VISA, based on the Cuauhtemoc beer brewery and the Serfin bank. The basis for rapprochement with the government was eliminated, clearing the way for the brutal economic warfare between Monterrey and Echeverría two years later.

The curious role of the curious Social Democratic Party (PSD) highlights this Monterrey factional question in the midst of the Alfa-Banobras affair today. TV commentator and newspaper columnist López Doriga noted the strangeness of the fact that news of the Alfa-Banobras deal "first broke in New York" (referring to an Oct. 19 article in the *New York Times* by correspondent Alan Riding, "and already reaches into the ranks of this so-called Social Democratic Party—right-wing—only to be taken up from there by the left as a rallying point against the government.")

The "midwife" role was indeed the PSD's. PSD leader Luis Sánchez Aguilar called a press conference Nov. 2 to charge that the Banobras bailout was improper and had to be stopped. The next day a coalition of left parties in Congress called for such an investigation, and the following day, as PSD-inspired paid manifestos against the deal appeared in several major papers, the Congress agreed to look at the case.

What is the PSD? Though under its previous name, Acción Comunitaria, it ran public relations for the Mexican Communist Party through a front called the Mexican Public Opinion Institute during the 1976 presidential campaign, it has its roots in factions of the Monterrey Group itself. The founder of the group, and mentor of Sánchez Aguilar, is Roberto Guajardo Suárez, one of Monterrey's most prominent conservative business leaders throughout the 1960s. His "conversion" to a reformist profile brought him and his associates into linkage with the circles developing the Jesuit terrorist capability of the early 1970s.

When the PSD adopted its current name and applied for legal political registration late last year, it was the interests around Garza Lagüera's VISA group and the Monterrey firm of Gamesa which reportedly provided the major backing, along with Mexico City Mayor Hank González.

The "scandal" is far from over. The congressional committee investigating the bailout has just begun its work. The PSD and related groups are pouring millions of pesos into one of the biggest press campaigns in recent history. Behind the scenes, some of the most important issues of the campaign of presidential candidate Miguel de la Madrid, of the ruling PRI party, are being fought out in terms of the Alfa case.

## Statements on the future

The Mexican Labor Party (PLM) held press conferences in Mexico City and Monterrey on Nov. 7. Below are excerpts from the PLM press release, portions of which were carried in seven of Mexico's national newspapers and the two leading Monterrey papers.

It's not accidental that in the Alfa case all the threads of the campaign against healthy collaboration between the state and the private sector lead to the Socialist International, to its economic espionage arm, the Wharton School, and the Mont Pelerin Society, this last from the extreme right. These agencies carry out a division of labor, from the "left" and the "right," to promote a neo-Malthusian strategy of depopulation and de-industrialization. . . . [These forces] attack the Banobras-Alfa negotiation as conclusive proof of "overheating of the economy." The only overheating is going on in their heads. What the credit-needs of the Alfa group do in fact demonstrate is the urgent necessity of taking measures that permit lowering interest rates, at the same time protecting the national economy from a capital flight.

The PLM proposes the immediate establishment of exchange controls for this purpose.

*Excerpts from a statement released Nov. 8 by Alfa President Bernardo Garza Sada and Alfa Public Relations Director Juan B. Morales:*

The interest-rate increase outside the country, principally in the United States, created a difficult conjunctural situation for us. Interest rates rose from 11 percent to 21 percent in dollars, and in national currency rose by 30 percent. Given our foreign debt of 50 billion pesos [\$2.25 billion], we had to absorb a surcharge of over 2.5 billion pesos [\$110 million] just on the service of this debt. . . .

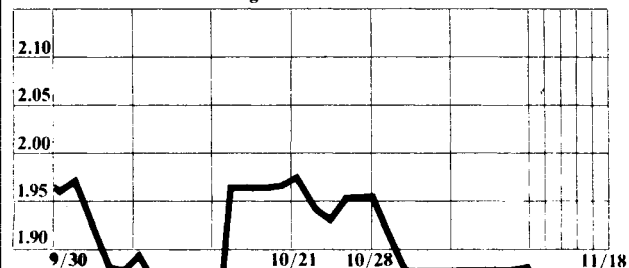
We had to cut in half our expansion program. . . . It was necessary to adopt strict administrative cutbacks, among them . . . the reconsolidation of three divisions.

The credit is for 12 billion pesos [\$180 million] under strict banking conditions, plus selling stock to the state worth 5 billion pesos [\$200 million]. These are preferred stock without voting rights, which come from some of our medium-sized operating firms. Both the financing and the sale of stock constitute normal actions within banking practices. Our aim is to continue growing. In 1980 we acquired several industrial concerns. We raised our steel production from 1.0 million to 1.6 million tons, and we planned the Durango Project, worth 5 billion pesos. The situation of Mexico is excellent and its economy is solid, since the oil wealth has been converted into a mechanism to stimulate expansion. Our country is moving ahead in an international climate characterized by instability and uncertainty.

## Currency Rates

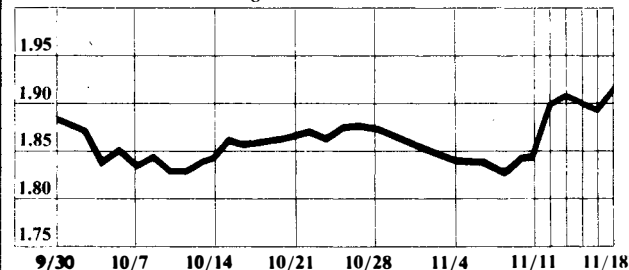
### The dollar in Swiss francs

New York late afternoon fixing



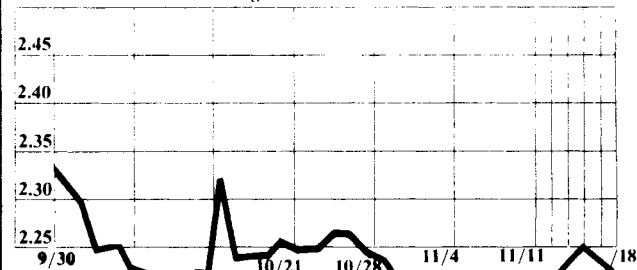
### The British pound in dollars

New York late afternoon fixing



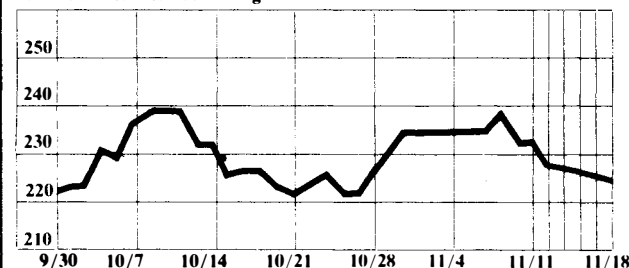
### The dollar in deutschemarks

New York late afternoon fixing



### The dollar in yen

New York late afternoon fixing



## Sovereign lending on the way out?

*Trade credits and non-dollar loans are rising as non-U.S. banks prepare for a post-dollar era.*

**I**ncreasing indications that the major non-U.S. international banks are moving away from straight Eurodollar lending to sovereign nations into a variety of other forms of lending, from suppliers' credits to loans in their own currencies, corresponds to the recognition outside the United States that the U.S. economy, and consequently the dollar, are headed for a major blowout. The emerging pattern of financing arrangements corresponds to the expected permutations by which some modicum of lending and trade can continue in the aftermath.

Leading the way are the British, who, following the 1979 revocation of sterling exchange controls, are taking this opportunity to carry out their long-held plan to bring sterling back into the center of international finance.

Two sterling loans, one for £150 million (\$269 million) for Sweden announced by National Westminster last month, and a second of the same size for an as yet unannounced borrower, are the largest of a sudden spate of sterling Eurocredits. Banking sources in Britain indicate several more will soon be announced.

Sterling acceptance credits are also on the rise: the large £365 million (\$653 million) such facility for the Mexican oil company Pemex, which was announced in September, heads the list. Eight other

overseas borrowers, primarily government agencies, have followed suit.

Finally, Britain is moving strongly toward loan packages with high components of trade credits and sterling lending, and is doing so in heretofore shunned markets. Last month, Brazil was granted a \$1.556 billion loan package, the first British lending to Brazil in five years. Almost half the total, \$682 million, is in the form of suppliers' credits for British exports to Brazil. Another portion of the remaining \$874 million, whose size has not been disclosed, is in sterling.

According to a New York spokesman for the lead bank in the consortium raising the commercial funds, Lloyds International, more and more lending is being tied when possible to actual projects that can serve as collateral, or to specific goods in trade. As for the old form of untied sovereign credits which can be spent anywhere, bankers are "very unwilling to do that these days."

It is generally recognized that syndicated loans are off, especially to the developing countries. The number of banks active in international lending is also falling, in line with the falling volume of new business on the Euromarket.

The head of international economics at a New York international bank said that whether what he termed "predatory financing" was

on the rise, is being "actively debated" in banking circles. But this kind of financing will definitely increase in intensity, he said.

In particular, suppliers credits generally imply at least partial government subsidizing of interest rates and a transfer of the risk from lender to exporter. Reliable figures for the volumes of such subsidized rates for 1981 are not available, and even the published figures for 1980 and earlier are questionable. Apart from the cases of the U.S. and Japanese Exim banks, the subsidies take the form of central-bank discounts, guarantees, or simple subsidies of interest-rate differentials applied to loans originating in the private banking system. Which ones are subsidized is almost impossible to detect.

However, it is quite certain that these loans are a major part of every suppliers' credit for the developing countries.

In the German case, where a special facility exists for the less developed countries, activity has stepped up quite a bit recently. At the same time, the German international banks have largely withdrawn from the Euromarket syndications, in favor of mark-denominated export financing.

The stagnating European economies are vying for LDC trade, and spreads are low on many Eurocurrency loans.

But underlying the move is the universal recognition that much of the existing LDC debt is never going to be repaid; that the storm clouds of dollar crisis are going to burst in the not very distant future; and that loans in domestic currencies, associated with one country's trade, are the safest—if not the only viable—way to go.

## Of savings and lemmings

*The thrifts have obediently thrown themselves off Volcker's cliff, proved the U.S.L.S.A. conference.*

The annual convention of the U.S. League of Savings Associations in New York Nov. 9-11 was a spectacle very like the spring run of the Norwegian lemmings off the fjords into the North Sea. In this case, however, the lemmings were not small furry animals, but 1,700 of America's savings and loan executives, and they seemed to take with them the future of the nation's \$600 billion home lending industry.

The S&L leadership, in a word, committed mass suicide by refusing to attack Federal Reserve Chairman Paul Volcker. Instead, they demanded further huge cuts in the federal budget, and resolved that the nation must resign itself to deep economic austerity and recession despite the fact that it is Volcker's austerity and recession which has lost the nation's S&Ls some \$10 billion this year, and threatens hundreds of them with failure.

Rollin D. Barnard, outgoing President of the U.S. League, led the charge over the edge with an overt endorsement of Volcker in a public exchange with this columnist. "Volcker's monetary policy is exactly right," Mr. Barnard stated to my amazement. "The Federal Reserve is the only barrier standing between the country and runaway inflation. I will not attack Mr. Volcker or the Fed.

"High interest rates are painful, they are causing extreme economic hardship, but this is what we must

suffer to wring 40 years of inflation out of the economy," Mr. Barnard continued. "We need wrenching pain. It's like slitting yourself from the belly to the throat—it's very painful, but that's exactly what we need."

In his speech, Mr. Barnard attacked high interest rates, however. "We must fight without letup to see that interest rates come down and stay down," he said. "Otherwise many more American businesses, large and small alike, will become endangered."

The U.S. League's incoming President, Roy Green of Jacksonville, Florida, also stated in his inaugural speech Nov. 12 that high interest rates will be the main target for attack by the League in 1982, along with the Depository Institutions Deregulation Committee (DIDC), chaired by Treasury Secretary Don Regan, which has been using deregulation powers to strip S&Ls' deposits.

However, the alternative advanced by Mr. Barnard to the hated high rates is one which will further sink the S&Ls, and the economy—austerity. Following Mr. Barnard's lead, the convention voted up a resolution demanding that Congress act to further slash the U.S. budget during the next three years.

In the convention keynote, Sen. William Armstrong, a Republican from Mr. Barnard's home state of Colorado, was more specific, de-

manding to loud applause from the audience \$140 billion in further budget cuts in social services.

Instead of attacking the Fed, Armstrong, Mr. Barnard, and speaker after speaker attacked the Reagan administration. "The government of the United States has failed the American people," Senator Armstrong railed.

The S&Ls then went on to endorse the transformation of their institutions now being carried out in Congress by Volcker and his allies such as Democratic Fabian Rep. Fernand St. Germain. Mr. Barnard and others endorsed the various "Thrift Institution Restructuring Acts" being moved through the House and Senate Banking Committees, which will allow S&Ls to stop making home mortgages, and become commercial banks.

The plain fact is that the budget will never be balanced, nor interest rates lowered, by spending cuts, but only by high economic growth which increases tax revenues. In order to obtain this, we need a two-tier credit system in which S&Ls, housing, auto, steel, and other productive industry get cheaper credit than conglomerates and real-estate speculators.

A few S&L leaders present realized the depths of the crisis. "Volcker is destroying U.S. industry," one executive said. "But we need a voice in Washington to speak out for credit for industry."

But most of the conference participants paid as little heed to the national interest as to the barren future that faces them personally. It is no consolation to conclude that those who permit such leaders to make League policy deserve what they get.

# World Trade

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
	South Africa from PRC	Communist China has secretly shipped enriched uranium to South Africa, U.S. officials report. Deal done through Swiss intermediary. <i>Washington Post</i> misleadingly claims Chinese simply had "commercial" motives in aiding blacklisted South Africa to get its electrical plants functioning on schedule. South Africa is China's leading African trade partner.	Worth investigating are French and Swiss networks providing bomb technology to axis of Israel, China, Pakistan, South Africa.
	Algeria/Japan	Nichimen trading company denies that its back-to-back sale of 15,000 Hondas to Algeria and purchase of 500,000 barrels of oil from Algeria is a barter deal.	World monetary crisis is promoting barter trade.
	Japan/Canada	Mitsui will soon sign with Alberta govt., Chieftain Development, and West Coast Transmission for feasibility study on plan to transport Alberta's coal to Pacific in the form of slurry. Slurry would be mixed with methanol made from Alberta natural gas and pumped through existing gas or oil pipelines.	Japanese MITI unhappy with Canada's 72% increase in petrochem exports to Japan last year, due to low gas feedstock prices.
	LDCs from Japan	Japanese oil companies are sending their petroleum engineers to provide on-site advice and training to LDCs, while Japanese refining capacity is being shut down. Maruzen Oil plans to keep 100 engineers working abroad, rather than fire them. Mitsubishi Oil sent 24 engineers to Burma and is offering others to Saudi Arabia. Kemsu Kosan supplies both Malaysia, and Showa, Algeria with its engineers.	Most Japanese regard educated manpower as a country's real wealth. Such live technology-transfer is likely to result in future big contracts from aided LDCs.
\$800 mn.	Zaire from Switzerland, Japan, U.S., Europe	Aluminum smelter at mouth of Congo River is planned by an unusually large consortium of companies headed by Alsuisse. Plant would produce 150-200,000 tpy ingots. Alsuisse says half-dozen countries involved so as to reduce nationalization risk in "politically volatile Zaire." Zaire govt. is subsidizing 20% of construction cost and providing all infrastructure.	Will use electricity from huge Inga Dam on Congo which has gone to waste for years. Japanese interested in African source because of rising energy costs in Japan and Australia.
\$218 mn.	India from U.S.S.R.	Soviets got contract for 4.4 mn. tpy steel plant in Vishakapatnam for Indian govt. All Indian govt. steel plants built by Soviets.	Soviet credit for \$170 mn. at 2.5% payable over 17 yrs. "It's a steel."
\$114 mn.	Venezuela from Sweden	Ericsson has won order for computer-controlled telephone systems from Venezuela.	Ericsson believes it will win whole Venezuelan phone expansion.
<b>CANCELED DEALS</b>			
\$4.5 to \$9 bn.		Mitsui told Iran that it would entirely abandon construction of huge petrochemical complex in Iran, if Iran does not take over full burden of financing by Dec. 15. Project, 85% complete at time of Khomeini revolution, has been suspended since then. Cost has risen from original 130 bn. yen to 1-2 trillion yen now. Mitsui blames "trilemma" of revolution, war, and bombing. Mitsui complains Iran has not finished promised infrastructure. Mitsui also blames Eurodollar rates for raising interest costs on money borrowed to finance construction from expected \$27 mn. up to \$45 mn./year.	Mitsui has tough conditions on Iran so it can collect MITI foreign investment insurance after Iran refuses to meet them. Firms judges project could never be profitable, even if finished.



## Hoesch factory council chairman discusses investment, U.S. rates, and the Third World

Like its American counterpart, the West German steel industry finds itself in a bitter crisis because of the price decline over the past year inflicted by British dumping, and the collapse in demand caused by high interest rates. The way out, as seen by the German companies, the labor unions, and Chancellor Schmidt himself, is to improve competitiveness through modernization and expanded investment. Japan's highly productive steel industry is universally viewed as the model in this regard.

In order to find out how a trade-unionist and factory-council chairman in the Ruhr industrial center assesses the situation in the steel sector, we interviewed Kurt Schrade, a member of the supervisory board and chairman of the factory council at the Westfalen works of the Dutch-German Estel-Hoesch concern. He is also a long-time member of the Social Democratic Party and the IG Metall metalworkers' union, the country's largest, and thus typifies the skilled-labor stratum in West Germany, Chancellor Schmidt's political base. He was one of the key figures on the employees' side during the fight to maintain Dortmund as a steel-producing center. Together with the mayor of Dortmund and the local IG Metall chairman, he organized a mass demonstration on Nov. 29, 1980, in which more than 70,000 steelworkers and their families mobilized in favor of building a new, modern steelworks.

Kurt Schrade and his co-workers have persistently fought for improvements and modernization of work methods in steel production. Chancellor Schmidt once told a public SPD meeting in the Ruhr: "If people like Kurt Schrade were sitting in this parliament, I would have no more problems in Bonn."

*EIR* correspondents Ortrun and Hartmut Cramer interviewed Mr. Schrade on Oct. 19 in Dortmund. The first part of the interview follows. Emphasis is in the original.

**Cramers:** Herr Schrade, things have been very turbulent here at Hoesch since November 1980. You and your colleagues have worked energetically to maintain Dortmund as a steel-producing center, and for the construction of a technologically modern oxygen installation,

and you have had partial success in pushing through your demands. How do you assess the current situation of the firm?

**Schrade:** We still consider Dortmund to be a necessary and proper location for steel output, as we told the company's supervisory board at that time. Our further processing operations include high-quality products such as sheet metal, packing material, tinning and galvanizing coatings, and we are in a first-class position on the markets with these products. With the oxygen installation, we would consolidate this product group. Therefore, as the board of directors has said, the steelworks needs to be in front of the rolling mill of the Westfalen foundry, so that a third of the production can be processed while it is hot, right off the bat.

Taking energy costs into account, that's an extremely important factor. A new, modern oxygen process with direct reduction is the key to Dortmund's future as a steel center.

**Cramers:** The chairman here in Dortmund, Dr. Rohwedder, said at the beginning of the steel crisis that Hoesch would be able to overcome its problems if management were allowed a half-year breathing space to pull out of the red. Now a whole year has gone by, without any improvement, and everyone is screaming about high interest rates.

**Schrade:** Dr. Rohwedder has said that if we are given enough time, we will take care of these problems. That is something I would really like to emphasize, because the cost-reduction program put into effect in the steelworks since 1979 has in fact already had visible, positive effects, despite high losses—that seems to be contradictory, but it's not. The important thing is that we are unable to finance the *investment* part of the program internally, since we haven't gotten ourselves out of the red. After shutting down several rolling mills, now we are still in the position of having to build the heat-treatment facility [*Durchlaufglühe*] in the cold rolling mill at the Westfalen works. This part of the project has to be seen through, taken off our hands, if you will, by the taxpayers. That is the focal point, the fulcrum of restructuring production.

Now you will ask me what that has to do with the high interest-rate policy? I can tell you—precisely for that reason, management was absolutely in no position to muster resources at 10, 12, 15 and 20 percent rates; it was absolutely out of the question. In my view, and my colleagues' attitude is the same, the interest-rate policy is probably the *basic* cause of the economic calamities that are in the meantime spreading around the whole world.

**Cramers:** Chancellor Schmidt has personally advocated a positive solution for the steel crisis here in Dortmund, and a few months ago he proposed an international "interest-rate disarmament conference."

**Schrade:** The Chancellor personally came out with support for us, that is true. We are counting on that basic pledge that Dortmund's steel production cannot be allowed to go kaput. But in his talks with us, the Chancellor has also said, very accurately, that this high interest-rate policy is hurting every one of us. Therefore you cannot separate the steel industry from the economy as a whole. Our situation in the steel industry directly depends on either private investment or the state budget, and as long as high interest rates are sucking up capital, no company can or will invest, and we cannot get ourselves out of the crisis here.

What are the possibilities for factory-council support of an "interest-rate disarmament conference"? Insofar as the factory councils are organized into IG Metall and into the DGB [the national labor federation], have tremendous weight, and the DGB supports the Chancellor's efforts. What is also needed is a certain pressure of public opinion. Therefore we support the Chancellor on every point, because we know that if the interest-rate policy is not reversed on the international level, that is to say *worldwide*, if another policy is not put into effect *worldwide* an individual country like the Federal Republic has no way at all of imposing a low-interest policy in isolation. We are already suffering from capital flight, and that means, plain and simple, that anyone who has the money sends it across the border, and without lifting a finger, "puts it to work" in America or some other country with high rates; and it does not get invested here.

We constantly come back to the same thing, fundamentally: under this kind of policy, we can expect the end of any expansive economic measures; retrogression becomes automatic, it hits every sector, whether private or public. If something is not done to rectify it throughout the West, and get us out from under this high-interest policy, there will be no economic development, no prosperity, nothing but chaos. Industrial nations that have managed to develop themselves can be turned back into primitive agricultural countries under this kind of financial policy. Any ordinary citizen can figure out for himself what will be left after a few more years of this regime—not to speak of the coming generations; but

policy for the coming generations must be put under way now.

**Cramers:** In a few days the North-South summit meeting starts in Cancún, and the question of technology transfer will be taken up. Do you see a possibility of solving the industrialized countries' economic problems by intensifying relations with the underdeveloped nations, and promoting capital-intensive exports there?

**Schrade:** We know that especially in the West, markets are saturated. I cannot estimate just how the developing countries should be helped, but I know one thing for sure: not a single deutschemark ought to be spent on fancy resorts or super-deluxe cars. But when it comes to the question of development, in, for example, Africa—where people are going hungry, in fact are starving to death—we have to provide financing, in a targeted way. They have resources; they need resources to be produced, processed, they need an industry to be developed. I can understand why a developing country would refuse to simply bundle off their ore, coal, or oil to the industrialized countries, when the real value of those resources is their potential help to locate their own industry in their own countries. This is the way policy has to go.

**Cramers:** It is widely claimed that locating steel production in the underdeveloped sector would endanger and even destroy jobs in the industrialized sector.

**Schrade:** Take a historical point of view, and look at the way the steel industry grew here in Europe. It was based on coal and ore mining, and we have to register the fact that—with the exception of Sweden or the Soviet Union, that is quite a different story—the raw materials for, let's say, steel were not available. And, more immediately, about certain developing countries producing their own steel today, I am talking about mass production of steel, not about a certain basic steel production that every industrialized country needs; the Federal Republic also needs such a supply, that's completely obvious. It is also obvious, however, that in a country like Venezuela, which is sitting on top of oil deposits and giant raw-materials assets, steel-producing facilities have to be built, which necessarily means that manufactured products will enter the market, and become competitive with us.

I am already convinced that we have to restructure our economy, our industry, and concentrate on the things we can best accomplish on a large scale, high-level "knowhow," as they call it. We have to collaborate in initiating this process. There is only one thing we cannot collaborate in rectifying: the fact that we totally depend on imports of basic goods. Of course, for many years these so-called developing countries have been subjected to the same conditions—they have to import every screw or nail they need.

# Business Briefs

## Trade

### 240 agreements signed by Japanese in Mexico

The chief of Japan's trade mission to Mexico, Mitsubishi's Bunichiro Tanabe, announced Nov. 18 that 240 separate agreements with Mexican firms totaling \$340 million had been signed in the course of his 10-day visit. Most of the agreements are for increased Mexican exports to Japan; others involve transfer of technology and joint production ventures for export to third countries. Mexico's Ministry of Industry established a special office devoted to promoting joint Mexican-Japanese investment. A similar agency already exists in Japan.

In conversations with *EIR*, the Vice-Chairman of the Japanese mission, Miyamoto of the Ministry of International Trade, stated that Japan sees Mexico as a world power in the not-too-distant future, and stressed that Japan will cooperate with Mexico in a wide range of fields because it views Mexico as the "stabilizer" of Central and even South America.

## Nuclear Energy

### U.S. fusion program under new attack

According to fusion scientists at the DOE and staffers at the Office of Science and Technology (OSTP), the Reagan administration is trying to "restructure" the U.S. magnetic fusion program.

The Assistant Director of OSTP for energy and natural resources, under OSTP Director and Presidential Science Adviser George Keyworth, told *Fusion* magazine that he advocates a return to the "go-slow" program of the Schlesinger-Carter years. Some programs are too optimistic, industry should not be involved in any engineering effort, and fusion will only make a contribution after the year 2040, he said.

This perspective was first floated in the Reagan administration by Doug

Pewitt, a Carter DOE holdover, last spring. Pewitt is now at OSTP advising Keyworth on fusion policy.

Fusion scientists report that between the OMB and OSTP, the budget level recommended to Congress will be in the \$400 million range, more than \$50 million below the current FY 1982 budget. This would cancel every construction project and new start in the fusion program, including the mirror-program expansion at Lawrence Livermore, the EBT-P program, and the FMIT materials facility at Hanford—all basic research projects on which fusion's future hinges.

## Public Policy

### Marshall Fund moves to control U.S. economics

The German Marshall Fund, an adjunct of the World Bank's Brandt Commission, announced in mid-November it is establishing a new Institute for International Economics in Washington, D.C., "to strengthen the formulation of international economic policy particularly in the United States." The new IIE will be endowed by the Fund at over \$4 million, the largest commitment in the Marshall Fund's post-war history, and its entire budget for 1981-86.

The new IIE proposes to study in particular:

- International banking reform to control private bank credits to the Third World, and set up "defensive mechanisms which would seek to limit the systemic damage from any breakdown" in the banking system due to LDC debt defaults.

- Reform of the International Monetary Fund to give it greater control over world lending and development.

- Reform of the international trade and industrial investment system to set up supranational regulations on trade and capital formation in order to quash high-technology industrialization in the West and the LDCs.

The IIE intends to give advice and write policy for "officials of governments

and international organizations," especially the U.S. government, the Marshall Fund has announced.

The board of the IIE will be chaired by Peter Peterson, Chairman of Lehman Brothers Kuhn Loeb investment bank and a member of the Brandt Commission, which promotes zero-growth.

## Monetary Policy

### U.S. Gold Commission dodges the issue

Hearings of the President's Gold Commission Nov. 12 and 13 became a grand exercise in changing the subject, with testimony focusing on whether a domestic gold standard is possible. Only a few of the 23 economists and businessmen who testified addressed the major topic under discussion internationally, that is, how the United States would use its gold to restore some order to the international monetary system.

International Monetary Fund adviser Peter B. Kenen, a professor at Princeton University, punched holes into arguments for a domestic-only gold standard, but let drop at the conclusion of his testimony: "The United States should keep its gold for the same reason that it holds stocks [of armaments], because the future is uncertain and unsafe. One can conceive of circumstances in which gold might be the only acceptable means payment internationally."

In an interview with *EIR*, Kenen insisted that a world depression was possible starting 1982, and his remarks to the Commission about the failure of other means of payment represent a fairly short-run, not a hypothetical, perspective.

University of Chicago Prof. Robert Aliber took a similar tack, arguing that "It is important that we begin to develop trading arrangements, probably based on the market price so that central banks and countries with payments deficits can have some assurance that they can trade gold with countries in the payment surpluses on off-market transactions as a way to help finance their payments."

Both Kenen and Aliber follow the argument made during the last IMF meeting of Bank for International Settlements President Jelle Zijlstra. But Zijlstra's conclusion comes down to an argument that national monetary authorities are no longer competent to make decisions about their monetary programs, and will have to pool their decisions through the Bank for International Settlements, effectively eliminating national sovereignty in monetary affairs.

Otherwise, the remainder of the Commission hearings devolved into an academic debate between proponents of a purely domestic gold standard—something that could not exist, as Peter Kenen explained with some irony—and opponents of a domestic gold standard. In background briefings to the press, Commission Chairman Anna Schwartz, a longtime collaborator and co-author of Milton Friedman's, said that the Commission would follow Kenen's recommendation: "Don't just do something, stand there."

Judging by the quality of the last hearings, the White House will not obtain the advice it wants from the Commission on the subject.

## Gold

### Mitterrand tries to grab private bullion holdings

For the first time since the abortive efforts of the 1930s Daladier government, French President François Mitterrand is planning to nationalize private gold holdings, in response to a building financial crisis that threatens the new Socialist government.

Although French citizens will resist government attempts to force an exchange of their gold hoards—the French equivalent of life insurance—nationalization of only a tiny part of the estimated 5,000-ton private stockpile would immensely improve the official French balance sheet. At current market prices this gold is worth close to \$100 billion.

Meanwhile, according to informed

sources, French police have conducted spot raids against brokerage houses in an effort to determine the identity of gold purchasers, in some cases holding employees incommunicado for up to 18 hours of interrogation. Telephone wires of gold dealers have reportedly been tapped in order to locate the identity of investors engaged in major gold transactions. Meanwhile, officers of Paribas, top on the government's bank nationalization list, have been threatened with prosecution for spiriting a relatively small amount of gold across the Swiss border.

## Banking

### Hill Democrats seek emergency Fed powers

The Democratic congressional leadership is blocking with the Fed to give Paul Volcker emergency powers over the failing U.S. banking system, Treasury sources said Nov. 10. The Democrats "intend to make it impossible for Congress to pass any kind of legislation on bank regulation and deregulation in this session, and I don't think we're going to see a banking bill this year," said a top official at the Comptroller of the Currency's office. "The banking system is in an emergency state, however, and if there is no banking bill this year, the result will be that Volcker will just exercise his own emergency authority," as *EIR* reported Nov. 17.

The House has already passed legislation written by Democrats that would give Volcker the power to merge and shut down failing savings banks. A second set of Republican bills would "restructure" thrifts into the speculative lending track, but would allow some S&Ls to survive. "All [Volcker] wants is his emergency powers to merge those banks; he doesn't want them further deregulated, because some of the dereg plans would loosen his authority," said the spokesman, who did not comment on the housing implications.

## Briefly

● **INDIA'S** oil reserves, according to the Petroleum Secretary, have been estimated at 1.7 billion tons, twice the amount known in 1975-76. This new estimate indicates that India would be able to meet its oil demand for the next 40 years at the present rate of oil consumption.

● **INDUSTRIAL** production in India was up 10 percent for the first seven months of this year compared with the same period last year, while the increase for the first four months of the current financial year (April-July) was 11 percent.

● **JAPAN'S** Ministry of Industry and Trade continues to stress that a prerequisite for diminishing trade friction with the U.S. is lower U.S. interest rates.

● **NIPPON** Electric Corporation, the Japanese manufacturer of facsimile transceivers, is set to introduce three new models that will demonstrate that Japanese technology is "years ahead" of current U.S. equipment. Current Japanese machines, many of which are marketed by American copier and electronics companies, can transmit images with a resolution of 200 dots to the inch at costs as low as \$200 a month for each terminal. Exxon has poured large sums into its QWIP system, low-speed machines.

Exxon will soon be selling Japanese equipment.

● **S. G. WARBURG** of London wants to use the resources of the new \$10.5 billion North American General Corporation, formed by merging the Warburg asset INA with Connecticut General Insurance Corporation, to invest U.S. pension funds worldwide. Last July, S. G. Warburg and Aetna Insurance, a division of Connecticut General, formed a \$200 million investment trust to buy foreign stocks and bonds with pension assets.

## London puts EIR at center of Mideast strategic storm

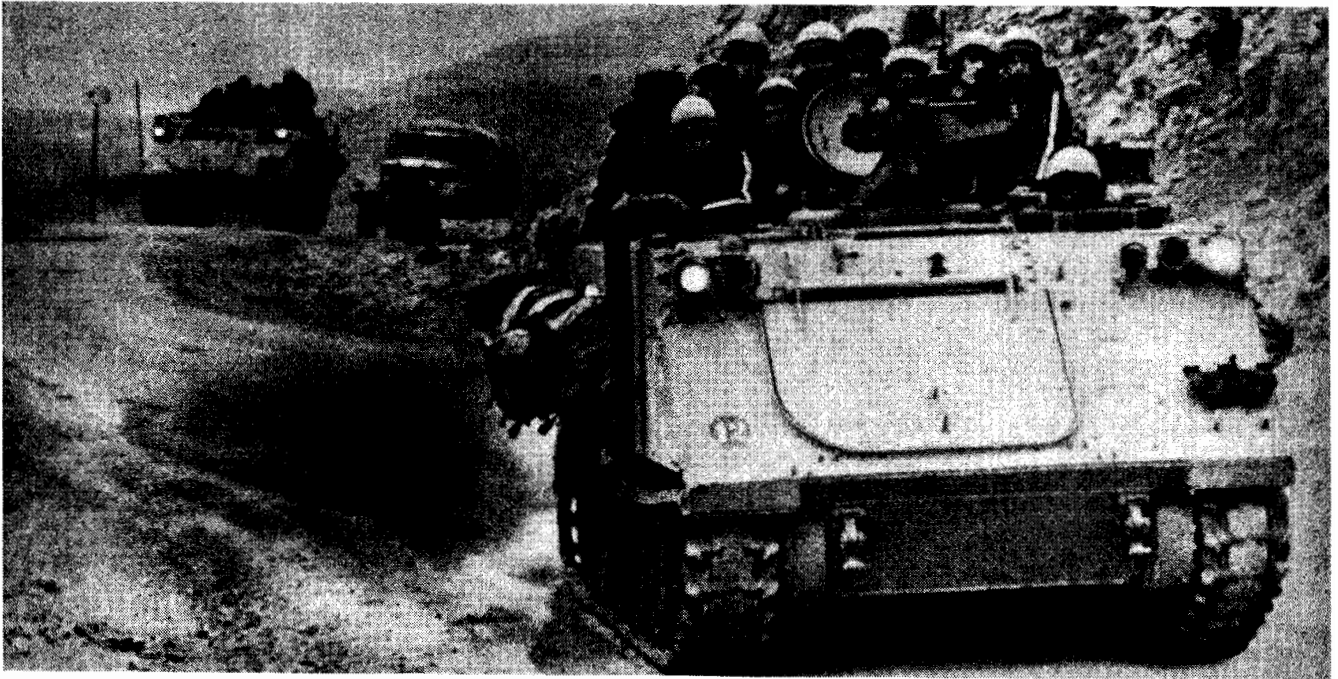
by Lyndon H. LaRouche, Jr.

The British Secret Intelligence Service (SIS) and the Soviet KGB appear willing to risk blowing up the world in their allied efforts to bring the Moscow faction of Mikhail Andreevich Suslov to unchallenged supremacy in the current, ongoing Soviet leadership-succession brawl. Both are pressuring Israel to blow up the Middle East along the lines of a preemptive Israeli war echoing the *Suez Crisis* invasion of Egypt, or what RAND Corporation has long described as the *breakaway ally* scenario.

RAND Corporation, a creation of the SIS's Sussex Psychological Warfare Division (PWD), developed a scenario under which Israel broke its alliance with the United States by launching a preemptive war intended to send the entire Middle East up in smoke. At this moment, Israeli preemptive assaults against Syria, Iraq, Saudi Arabia—plus a bloody occupation of the southern half of Lebanon—are openly in preparation, as a *war government* looms out of an alliance of the Labour Party (*Mapai*) with Soviet KGB assets *Yitzhak Shamir* and *Ariel Sharon*. Only President Reagan's early decision to aid Lebanon with an "Eisenhower Tactic," a preemptive emplacement of U.S. military forces, could be expected to block a preemptive Israeli strike at this moment.

Meanwhile, top strata of SIS have situated *EIR* and its founder, LaRouche, at the center of this strategic storm. Beginning with a public outburst against *EIR* and LaRouche in the Oct. 22, 1981 issue of SIS's *New Scientist*, high-ranking SIS officials are on a world-wide mobilization against *EIR*, alleging that *EIR* and LaRouche have destroyed a major part of those SIS Middle East capabilities London was deploying as part of its effort to drive U.S.A. influence out of the Middle East.

SIS's Islamic sections are committed to bloody revenge against *EIR* and LaRouche, together with the supporters of a panic-stricken Aurelio Peccei, of the SIS front known as the Club of Rome. Higher-ranking SIS circles are willing to treat loss of key Muslim Brotherhood capabilities as "spilt milk." Higher-ranking SIS officials are preoccupied with what they fear *EIR* might accomplish next. By "next," those officials mean SIS's channels into upper



Israeli tanks in occupied territory. The "breakaway ally" potential has increased.

strata of the Soviet KGB through, chiefly, the hierarchy of the Russian Orthodox Church. (Cf. "Leonid Brezhnev Must Break With London Before It's Too Late," *EIR*, Oct. 27, 1981; and "Khomeiniacs Convene At Houston's Rothko Chapel Meeting," *EIR*, Nov. 10, 1981.)

There is no doubt that senior specialists of the U.S.A. intelligence community have far greater detailed factual knowledge of SIS-KGB collaboration than *EIR*. Why, then, SIS's special fear of *EIR*'s potential for blowing that collaboration open?

### **The religion angle**

According to SIS executives, and such SIS assets as circles of Kissinger crony Donald Lesh, LaRouche's special danger to SIS is *EIR*'s demonstrated ability to thread its way through the complexities of religious networks. It is in networks run through the Jesuit order, the World Council of Churches headquarters in Geneva, the Anglican hierarchy, that the most sensitive collaboration between SIS and the Soviet KGB is run.

SIS is particularly alarmed by *EIR*'s focus upon the role of the Antiochian Church hierarchy in both the Middle East and Western Hemisphere. The Antiochian hierarchy is one of the most high-ranking and sensitive singularities in the multiple links among SIS, the KGB, and the KGB-tied faction (Ariel Sharon, Yitzhak Shamir) in Israel's leading circles, as well as the terrorist-deployment base in special training-centers in Cyprus. The recent tour of Antiochian Patriarch Ignatius to Moscow, through the East bloc, and down through Cyprus is, for example, of very great importance for

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understanding presently coordinated SIS, KGB and Sharon efforts to blow up the Middle East and the Balkan region.

SIS recognizes also that *EIR* is relatively unique in its accuracy of insight into the larger significance of the SIS-KGB Middle East game. The primary focus at this moment is an SIS-KGB collaboration in the effort to bring the Moscow faction of Mikhail Andreevich Suslov and Boris Ponomarev to unchallenged supremacy in the ongoing Soviet leadership-succession struggles. If Suslov's faction is brought to unchallenged power, SIS, believes, Moscow will cooperate with London and Venice in bringing a Malthusian, World-Federalist order into being.

Official U.S. strategic (and, therefore, intelligence) estimates have misevaluated the facts bearing directly on this danger from the SIS-KGB cooperation against Washington. If Washington should accept the *EIR* strategic estimate, the United States still commands sufficient political and other power to wreck the Malthusian strategy underlying London-Moscow connections.

The commonplace error around Washington is the habituated tendency to regard Henry A. Kissinger's and other known connections to Moscow as tending to suggest that Kissinger (for example) might be acting under Soviet KGB influence. On a certain level, all influential U.S. Malthusians, as well as Henry "the K" are virtual agents of the KGB. On a deeper level, such an evaluation is shallow-minded and dangerously wrong.

The source of the erroneous estimates in Washington is readily understood. Since Venice and London (including the Jesuits) orchestrated the February 1917 Revolution, and since an initially Jesuit-backed Lenin went against those who thought they controlled him, London has carefully orchestrated a Washington-Moscow strategic conflict, which has been greatly escalated since Prime Minister Winston Churchill's successful introduction of an intensified adversary relationship between Washington and Moscow over the 1944-1947 period. Therefore an historical, 60-year-long adversary relationship does in fact exist between the two capitals. It is understandable that most strategic analysts on both sides interpret everything of importance in the world as flowing from that adversary relationship.

What most U.S. strategic analysts have found it almost impossible to understand is that Henry "the K's" or Armand Hammer's connections to Moscow do not define Henry or Hammer as being in any fundamental sense Moscow agents. U.S. analysts generally are blind to the existence of a "Third Force"—the "Force X" of the James Bond fiction—which coordinates certain of the Moscow factions, as well as Malthusian

factions in the West, all coordinated as part of what London defines as a "grand strategy" game of "balance of power."

U.S. analysts forget that Mazzini's "Young Europe," and the Socialist and Communist Internationals developed out of the "Young Europe" revolutionary wave of the 1840s, were created as a joint operation of London and Venice in the effort to wreck that rise of industrial-capitalist nation-states set into accelerated motion by the American Revolution. They forget that although Soviet industrial-nationalism has developed as a powerful organic impulse within Soviet Russia, that the pedigree of the Communist International was the Mazzini pedigree, the Jesuit-Palmerston pedigree. They forget that the hierarchy of the Russian Orthodox Church and its Uniate partner are key to spawning of all of the Mithra-cult varieties of religious and political cults spawned in 19th- and 20th-century Russia and the Balkans.

The key to these matters is found in the domain ordinarily named theology.

What ultimately controls the behavior of individuals and associations is the dominant philosophical world-outlook of those persons and organizations. Only two varieties of philosophical world-outlook have had a significant role in all recorded history of Mediterranean-centered civilization: the "city-state" versus the bucolic ("zero-technological growth") or "oligarchical" philosophical world-outlooks. In philosophy the commitment to technological progress, the city-state or republican outlook, is associated with the Platonic or Neoplatonic viewpoint, as typified by the recently-issued Papal Encyclical *Laborem Exercens*. The opposing, oligarchical or "Malthusian" philosophical outlook, is associated with the Cult of Apollo at Delphi, the Mithra cults, and the Hobbesian or "materialist"-empiricist dogma. Right-wing fascism and left-wing socialism (anarchism) are merely different varieties of the same oligarchical or Hobbesian world-outlook.

Historically, these differences in philosophical world-outlook take their most concentrated expression in religion. In religion, the individual defines his or her innermost sense of personal identity, the practical significance of his or her mortal existence and its fruits, in the limitless expansion of innumerable generations and in the expanse of continuing creation as a whole. Since people act as they define their innermost identity, the belief in a rational universe (universal, higher, knowable lawful ordering of creation) or, opposing that, in an irrational, "infinitely interconnected," universe without knowable higher law, defines the utmost quality of the individual's propensity to act.

The most sophisticated form of anti-Christian theology is that practiced by the Greek Orthodox (Justini-



an) hierarchy. The Gnostic hierarchy rarely intervenes visibly into the matters of secular policy. It cultivates the appearance of standing above and outside politics, in another world, but controls political life by shaping the innermost beliefs of its victim. It fosters in its dupes the philosophical outlook of the ancient oriental Mithra-cults, like the "blood and soil" cults of Russia and the Nazis, which predetermines the political susceptibilities of those dupes who mistake the Gnosticism of the oriental magicians for Christianity. The Jesuit order, more politically activist in organizing left-wing and right-wing bloodbaths through "social work" activities, expresses the same Gnostic philosophical world-outlook as the Greek or Russian Orthodox churches—or the Greek Catholic (Uniate) church of Romania and the Ukraine.

The fact that the Russian fascist organization, the NTS (Naroduyi Trudovi Soyuz—People's Labor Alliance), is linked to the command of the Soviet KGB through the Uniate-Orthodox hierarchies' interfaces, typifies the kinds of processes which Washington's strategic estimates have thus far failed to comprehend.

### **Saving the U.S.A. from catastrophe**

Real intelligence warfare is never primarily of the "James Bond" varieties of spookery. Real intelligence warfare, in which the warring parties deploy their respective mastery of a science known as *epistemology*, the principles governing the shaping of the ideas by which people and institutions govern their practice. The weakness of U.S. strategic intelligence, the reason British SIS usually runs circles around U.S. intelligence, is that the American demands that policy-making be reduced to what American political figures define as "simple, practical" notions of rhetorical appeal to the ordinary, uninformed layman. The American politician is more concerned with producing a "popular, saleable" product as strategic estimate or policy, than with discovering the reality of the problem.

In every instance over known history, the city-builders have never won an important battle against their oligarchist opponents, except by showing that the methods of thinking, of policy-making of oligarchism lead to disasters as a practical consequence of that thinking. The trick, so to speak, is to make well-meaning, but misguided political forces aware of the connection between policy and practical consequences of policy.

Looking back to October-November 1979, the subsequent developments have proven conclusively that the warnings of the consequences of the Carter-Volcker monetary policy issued by then-Democratic presidential candidate LaRouche were totally correct and all opponents of LaRouche on this point were totally in error. It

is the ability of Americans including the Reagan administration, to recognize that practical connection, on which the possible survival of the United States now depends. Arab governments, comparing the *EIR* analysis with the circumstances of the assassination of President Anwar Sadat, recognized *EIR*'s analysis to have been correct—and have acted accordingly. The same method could conceivably blow open the present collaboration among London, Moscow and Jerusalem. That is what leading SIS officials have stated they fear *EIR*'s work might possibly accomplish.



*The Russian Orthodox Cathedral of Vasily the Blessed in Moscow's Red Square.*

# Russian Orthodoxy and the Soviet KGB

by Robert Dreyfuss, Middle East Editor

No political intelligence specialist or analyst of Soviet, East European, or Middle East affairs can claim to have even a rudimentary competence in the field without a basic understanding of the nature and activities of the Russian Orthodox Church and the network associated with the Eastern Orthodox Churches of the Balkans and Middle East.

The hierarchy of the Russian Orthodox Church is the meeting place for a complex web of secret-service cooperation among, principally, the Soviet KGB, the British Secret Intelligence Service (SIS), and Israel's Mossad. For the past 100 years and more, the covert side of London-Moscow relations have operated chiefly through the diplomatic and ecumenical contacts among the Russian and Eastern Orthodox churches and the official Anglican Church of England. This is equally the case both before and after the Great October 1917 Bolshevik Communist Revolution.

Aside from the Soviet-British-Israeli interface around the Orthodox Church hierarchy, it is this network that operates in close conjunction with the Jesuit and Venetian-Genoese "Freemasonic" faction of the Roman Catholic Church and with the association of Islamic secret societies known generically as the Ikhwan al-Muslimun, or Muslim Brotherhood.

Recent exposés in this journal of the relations between the British SIS and the Muslim Brotherhood—including such Muslim Brotherhood assets as Ayatollah Khomeini's Islamic Republic of Iran—have been cited in recent weeks by British intelligence spokesmen as having damaged and potentially destroyed a network of secret associations dating back to the late 19th century, when British agent and pan-Islamic organizer Jamal al-Din al-Afghani first established the British SIS "Islamic card."

Now, in this report and in a forthcoming *EIR* series on the Orthodox Church, it is no exaggeration to state that literally centuries of patient work by British and Russian secret operatives will be destroyed by simple exposure to the light of day.

On Oct. 6, 1981, it was the intelligence nest associated with the Orthodox Church and the loosely affiliated Egyptian Coptic hierarchy that carried out the Muslim

Brotherhood assassination of President Anwar Sadat of Egypt. Run jointly by the British, Soviet, and Israeli secret services, that assassination is only the tip of the iceberg of dirty operations whose perpetrators inhabit the Orthodox environment. Whether it is the Khomeini regime in Iran, the rise of radical Theology of Liberation cultists in Latin America, Cuban military adventurism in Africa and Central America, the 1970s revolution in Ethiopia, or the emergence of a peasant communist regime in Afghanistan under KGB sponsorship, the clear and unmistakable hand of the Russian Orthodox Church can be identified.

Inside the Soviet Union, the clergy of the old Russian Church are associated with the ideologues in the Soviet Politburo, grouped around old Comintern hack Boris Ponomarev, Mikhail Suslov, KGB chief Yuri Andropov, and the U.S.A.-Canada Institute think tank of Georgii Arbatov and the Club of Rome's Dzhermen Gvishiani of the Vienna systems analysis school. These gentlemen preside over the KGB's extensive apparatus both inside the U.S.S.R. and throughout Eastern and Western Europe, with a particular focus on the Balkans, Romania, and the Middle East.

Because the KGB is known to exercise a careful supervision of the hierarchy and clergy of the state Russian Orthodox Church, some naive specialists in Soviet affairs have concluded that the Russian Orthodox Church is "controlled by the KGB." But, as *EIR* will demonstrate, exactly the reverse is true: the Russian Orthodox Church, and an associated cult of mystical Russian motherland devotees, is primary in the relationship, and, in a sense, controls the KGB and the Suslov-Ponomarev clique.

In this sense, the Russian Orthodox Church is a "Trojan Horse" for British and Venetian-Byzantine influence inside the U.S.S.R.

Since the establishment of the Soviet Union in 1917, the Russian Orthodox Church has served as the principal mediator for the Soviet state with the British SIS. To the extent that the Soviet KGB is involved in the world peace movement, disarmament organizations, and ban-the-bomb organizations in the West, its influence is primarily conduited through the Russian Orthodox Church via the apparatus of the Geneva-based World Council of Churches.

The Anglican Church—which since the 1600s has been the official arm of the reactionary Scottish aristocracy and the British state—maintains close ties to the Russian and Middle East Orthodox Church through a system of relations with other Christian, anti-Vatican churches. A web of Anglican bishops in Gibraltar, Malta, and Cyprus oversees the relations of the Anglicans to the Orthodox, along with Swedish, Swiss, and Balkans operations of the Anglican Church and the British SIS. The interchange for these ties is the Freemason-con-

trolled ecumenical movement.

For many decades, the key fulcrum for Soviet-British cooperation and the point of intersection between the Anglican and the Russian Orthodox churches has been the Middle East. Since the early 1950s, for instance, the KGB-SIS convergence has centered on the case of the famous triple agent H. A. R. "Kim" Philby, the British spy who "defected" to Moscow in 1963 while maintaining intact his relations with the British SIS. Philby, whose last seven years before 1963 were spent in Beirut, Lebanon, is the son of Harry St.-John Bridger Philby, the premier British agent of the British India Office and Arab Bureau from World War I until his death in 1960.

Kim Philby, now a general in the Soviet KGB, has been the subject of continuous controversy amid repeated exposés of his activities and those of his collaborators in the British SIS for three decades.

But Philby—father and son—only administered a secret apparatus operated jointly by the SIS and KGB throughout the Middle East through the mechanism of the Eastern Orthodox Church—particularly the dominant factions of the Antioch and Jerusalem Arab churches of the Orthodox movement.

For almost a century, the Russian Orthodox Church has had a special relationship to the Antioch and Jerusalem Orthodox Patriarchs. Those relations were maintained—and developed—by the Orthodox Church under Moscow after the Soviet revolution.

In Jerusalem, for instance, since 1857 the Russian Orthodox Church had established the "Russian Ecclesiastical Mission" in Jerusalem and had amassed extensive land holdings and church property in the region of Palestine. With the establishment of the Israeli state in 1948, the Israeli government seized control of these properties—at the time nominally under the jurisdiction of anti-Soviet church forces—and handed them over to the Soviet Union and to the control of the KGB-affiliated Moscow Patriarch of the Russian Orthodox Church.

The KGB and the Russian Orthodox Church have since utilized the vast holdings of the church in Palestine and Israel to fund the activities of Arab terrorists and the Communist Party of Israel. The rapid growth of the Israeli Communists (Rakah) in Galilee, for instance, was due in part to funds provided by the Russian Orthodox Church of Moscow through Jerusalem's holdings in Nazareth, which has a Communist mayor.

Since 1967, with the rupture in diplomatic ties between Israel and the U.S.S.R., the Ecclesiastical Mission of the Russian Orthodox Church in Jerusalem has been the only representative of the Soviet state in Israel! In large part, the ongoing U.S.S.R. contacts with Israel's Mossad are carried out through Jerusalem via the Orthodox Church. Overseeing the operation in

Jerusalem is Mayor Teddy Kollek. Kollek, a self-admitted paid operative of the British SIS, was the best man at the 1935 Vienna wedding of Kim Philby to the woman who allegedly recruited Philby to the Soviet spy service. In an interview in New York last month, Kollek told *EIR* that he had been a close associate of Philby in Vienna. Today, Kollek is the chief Israeli representative of the Aspen Institute, a British SIS think tank associated with Robert O. Anderson, Occidental Petroleum's Armand Hammer, and Henry A. Kissinger, which directed the operation that toppled the Shah in 1979 and installed Khomeini in Teheran.

Parallel with the KGB/Russian Orthodox role in the Jerusalem Mission and Israel's Mossad, the post-World War II period also saw a dramatic rise in the activities of the U.S.S.R. vis-à-vis the Antioch Orthodox Church.

According to Arab intelligence sources, the rapid growth of the Syrian Communist Party after World War II was chiefly the result of the impact of a regional tour of the Middle East by the Patriarch of Moscow, Alexei, in 1945. Visiting Damascus, Beirut, Jerusalem, and Alexandria, Patriarch Alexei revived the links between the Russian Orthodox and Arab Eastern Orthodox churches. Much of this activity involved shared assets with the British SIS in the Arab world, under the supervision of Philby et al. after World War II.

### **The Freemason connection**

The links between Moscow and Antioch after World War II actually stem from a historically crucial tie that was established between Moscow and Antioch in the late 19th century.

It is here the real secrets of the SIS-KGB cooperation began to be uncovered.

During the 19th century, the hierarchy of the Russian Orthodox Church was increasingly taken over by a mystical, goddess-worshipping cult-apparatus which, though overtly Christian, secretly engaged in pagan blood rituals. This fundamentalist Russian religious revivalism began in 1793 with the Slavic translation of an old Orthodox mystical text by a monk from the Russian monasteries on Mount Athos in Greece, and it spread throughout Russia during the 1800s across a vast underground of monasteries and remote churches. Like Ayatollah Khomeini's perverse version of Islam, the cult faction of the Orthodox Church in Russia was fanatically anti-Western and opposed the industrialization and modernization of Russia. During the entire 19th century, the Orthodox Church increasingly cast its spell over the Russian peasantry and developed cult adherents among the intelligentsia.

The Russian Orthodox Church as the "mother" of dozens of Russian secret societies variously leftist and anarchist, as well as extreme proto-Nazi cults of Russian

chauvinism. The anarchist currents of Bakunin and Herzen, the cult theologians like Vladimir Soloviev, and the later Orthodox revivalists like Berdyaev and Bulgakov can all be traced back to the "Mount Athos" monastical movement of the Russian Orthodox Church. It is to these kooky gentlemen that Suslov and Ponomarev owe their pedigree.

During this period, toward the end of the 19th century, the Russian Orthodox Church hierarchy was integrated officially into the British-Venetian project, begun in 1815, to oversee the dismantling of both the Russian and Ottoman empires. From the 1820s Greek revolution to the rise of Balkan nationalism and the awakening of anti-Ottoman Arab nationalism, to the growth of the communist movement in Russia itself, a vast, British-controlled "reform movement" was launched throughout the "East."

Under this umbrella was spawned a series of British-freemasonic movements: the Young Europe tendency, spearheaded by the Young Italy movement and the Propaganda 1 Freemasons of Mazzini's Italian unity movement, along with the Young Turks and the pan-Islamic movement of al-Afghani. There exists ample documentation to prove the connection between these British Empire-run reformers in Europe and the Middle East and the cult apparatus of Eastern Orthodoxy, including, especially, the Russian.

As a subsumed feature of the overall British project, the Russian Orthodox Church in the late 19th century assumed a godfatherly responsibility for an Arab nationalist revolt in the Antioch Orthodox Church. Until 1899, for centuries the Patriarch of the Damascus-based Orthodox Church of Antioch had been a Greek clergyman who led an overwhelmingly Arab-Christian following. But Russia, which had long viewed itself as the "protector" of the Christian community of the Arab East, in a deft operation gave support to an Arab faction which seized control of the patriarchate. Since 1899, then, the Russian church has been identified with a network of Arab Orthodox secret societies that give rise to several of the 20th-century political movements in Lebanon and Syria. The financial power behind the Antioch operation was the Sursok family, of Russian Orthodox origin, the chief aristocratic family of Beirut and the power behind the Beirut Orthodox clergy. The fanatical cult of the "Greater Syria" movement, a Nazi-affiliated movement during the Hitler era, which is today a significant power in the Syrian regime of President Hafez Assad's sectarian Alawite state, is a product of the Sursok family and the Anglo-Russian collaboration in the pre-World War I period.

In pre-1917 Russia, the Orthodox Church had as its chief intellectual and epistemological control-center the famous St. Petersburg Theological Academy. This Academy, which trained generations of Russian Ortho-

dox Church leaders—including the majority of those who served in the pro-Soviet Orthodox Church of the Stalin era—was apparently the center which served as a crucial British command post for the destabilization of Russia in the 1905-1917 period leading to the Bolshevik revolution. The most well-known product of the St. Petersburg Academy was the secret agent Father Gapon, who led the marches of the 1905 Russian revolution. The St. Petersburg Academy worked alongside the Russian Christian Student Federation, itself associated with the British-run, Freemasonic Young Men's Christian Association, the YMCA. Increasingly, this entire Russian church apparatus was integrated into the World Federalist movement that spawned the ecumenical movement, the Esperanto language, the Young Europe movement, the Bahai cult in Iran, and related institutions.

### **The Orthodox Youth Movement**

After World War II, the British SIS and the Soviet KGB jointly sponsored the so-called Orthodox Youth Movement inside the Antioch Orthodox Church. Billed as reform movement active against alleged corruption and decadence in the Antioch Orthodox clergy in Damascus, the Youth Movement—affiliated to the YMCA—is the key to present terrorist and related capabilities of both the KGB and the SIS in the Arab sector.

The "Young Turks" of the Antioch Church largely were trained at two centers, according to Arab and Anglican sources: the Soviet-controlled Academy of St. Vladimir's in Moscow and the St. Sergius Theological Academy in Paris. The Moscow Academy had been revived from its dormant state during World War II, when the Soviet regime under Stalin revived the church as part of the "Great Patriotic War." Until then, the Russian Orthodox Church had remained in an underground state, in combat against the state-sponsored "League of the Militant Godless" in the U.S.S.R. But Stalin found that the Russian population could not be mobilized for the war with Nazi Germany without the active participation of the church, and so the old Russian Orthodox Church was reactivated. Since World War II, the Russian Orthodox Church has played an increasing role in both Soviet foreign affairs and in domestic policy. The theological academy in Moscow became a training ground for KGB/Orthodox Church operatives—in the Arab sector in particular.

St. Sergius in Paris—established before the Russian revolution of 1917—initially joined that faction of the Orthodox Church loyal to the deposed czar against the Soviet state. Gradually, however, as the pressure was eased on the Orthodox Church inside Russia, the leadership of St. Sergius passed over to officials willing to recognize the dubious authority of the Soviet state-

controlled Patriarch of Moscow. Today, according to inside sources, the Paris theological academy of the Orthodox Church is a joint venture of the Soviet KGB—which has infiltrated Red Army priests throughout—and the SIS of London's Anglican Church.

The Antioch Church "Orthodox Youth Movement" was begun after World War II in the wake of the tour of the region by Moscow Patriarch Alexei. "In 1945-46, the Russians were the heroes of the Arab Orthodox," recalls one source. "Patriarch Alexei's tour of the Middle East was a masterpiece of diplomacy. We were all taken in by it. He was a real magician." Arab sources report that Alexei—openly an agent of the Soviet state though chief of the Russian Church—impressed some Arabs as a religious figure and others as a political, revolutionary figure. He was all things to all men, sources say.

Alexei was aided by the then-Patriarch of the Antioch Orthodox Church Alexander IV. Patriarch Alexander had been installed in 1932 by an operation known to have been run jointly by the Soviet intelligence service and the Russian Orthodox Church, and he ruled the Damascus church until 1958. Patriarch Alexander IV was from the start close to Patriarch Sergei of the Russian Orthodox Church, the first post-revolutionary Soviet leader of the "new" Orthodox Church in Moscow, who himself was a graduate of the cultist Theological Academy of St. Petersburg.

The current leadership of the Antioch Orthodox Church is thus heavily infiltrated, even controlled, by this Orthodox Youth Movement current of SIS-KGB operatives. Patriarch Ignatius IV, who came to power in 1979 in Damascus, is a product of the post-World War II "reforms," under the sponsorship of Bishop George Khodre of Beirut, a Sursok-backed church leader. Recently, Ignatius and Khodre toured the Soviet Union, Romania, and Cyprus on a political-intelligence mission for the Moscow-Antioch axis. The current Archbishop of the Antioch Church in the United States, Philip Saliba of Englewood, New Jersey, is also a creation of the same Soviet- and British-backed networks. Saliba, in particular, is the creation of the Anglican Church foreign-relations chief during the 1950s, Herbert Waddams, and Visser 't Hooft of the World Council of Churches. Both Waddams and Hooft were intimately associated with the Anglican Church SIS network that deployed Kim Philby—and Burgess, Maclean, and Anthony Blunt—as part of the SIS-KGB interface. The liaison to the Russian Orthodox network (and the KGB) for Waddams and the Anglicans in installing Saliba was a former British army officer named Bishop John Wendland, the official envoy of the Russian Orthodox Church of Moscow in America from 1963-1968.

In Syria today, the Assad regime is dependent to a

great degree on the support of the hierarchy of the Antioch Orthodox Church. Since 1966, the Assad regime has more and more relied on two cult-like Syrian sects: the Alawite minority sect and the old "Greater Syria" movement. Historically throughout the 20th century, both the Alawites and the Greater Syria cult have maintained close relations to the Sursoks, the Orthodox, and the Jesuit-controlled Uniate churches of Eastern Orthodoxy. Assad, a political survivalist, uses the Orthodox Church as liaison to British, Israeli, and Soviet secret services, as well as to the financial backing for Syria in Muammar Qaddafi's Libya.

To understand the role of the Russian Orthodox Church, especially in foreign policy, the case of the Romanian Orthodox Church—the most powerful church of Orthodox persuasion in Eastern Europe—is instructive. Soviet-Romanian relations, in large part, are handled as a feature of relations between the Russian and Romanian Orthodox Church networks. In recent years, especially, Romania has positioned itself as the liaison between the U.S.S.R. and key Western and Middle East powers.

According to U.S. intelligence sources, the KGB and the Russian Orthodox Church utilize Romania as a channel for manipulating the United States, Israel, and other powers. Henry Kissinger, Max Fisher, the entire apparatus of the Edgar Bronfman-controlled World Jewish Congress, important sections of the Israeli Mossad, and the command center of the old British Balkans task force are closely associated with the Romanian Ceaucescu regime's Orthodox Church apparatus.

Ultimately, however, such cynical manipulations by the KGB can only backfire with catastrophic consequences for the Soviet state itself. For at least a century, the Russian Orthodox Church has been preponderantly controlled by the anti-development peasant mentality of the neo-Malthusian movement. With each passing day that the Soviet leadership allows the Russian Orthodox Church to flourish under the sponsorship of Suslov and Ponomarev, it becomes more and more difficult for any Soviet leader to reverse the trend. The Orthodox Church cult apparatus will gain more and more adherents, and the Soviet Malthusian and Marxist-Leninist ideologues will become stronger and more powerful inside the Communist Party apparatus and the Soviet government. By tolerating this monster, the Soviet leadership will one day find itself engulfed by what it once considered to be a cynical instrument of state power.

The leadership of the Eastern Orthodox Church—including the Russian branch—views Communism in the Soviet Union as a passing phase. Should the Malthusian ideologues in the U.S.S.R. gain power, as the British desire, in the coming period, then not only is the Soviet Union doomed: the world will face the likelihood of an irreversible drift toward thermonuclear war.

## The New Scientist on EIR and LaRouche

The following article titled "American Fanatics Put Scientists' Lives at Risk" by Ziauddin Sardar appeared in the Oct. 22 issue of New Scientist.

Scientists in the Middle East are worried that false rumours about their political activities spread by a group of American zealots are endangering their careers and lives. In December 1980 a weekly magazine called *Executive Intelligence Review* circulated a mimeographed "special report" entitled *Prospects for Instability in the Arabian Gulf* to officials in the Arab world. The report, which was sent free to selected civil servants, accuses scientists who have expressed concern about the environment or the rapid pace of development of being members of terrorist organisations and plotting to overthrow governments.

While the report does not accuse individual scientists directly, it paints an overall picture of conspiracy, and tries to link the activities and writings of certain scientists and technologists to this conspiracy.

For example, the report says that Prince Mohammad Faisal, chairman of the King Faisal Foundation and the Paris-based Iceberg Transport International, is working to create a "super-national [sic] 'zero growth' Islamic bloc" aimed at "undermining the national sovereignty of the nations of the Muslim world" and intends to "rid the Muslim world of nationalist modernisers, most emphatically the Saudis under Prince Fahd." Thus, by association, Prince Faisal is projected as someone who is not only anti-Saudi government but actively working to undermine the authority of Crown Prince Fahd. The report makes such allegations about a number of scientists and engineers.

In certain Middle East countries with hypersensitive governments, such as Syria and Iraq, these allegations, however indirect, can easily lead to arrests, prison sentences and even executions.

The special report names organisations and scientists at Cairo University and King Abdul Aziz University in Jeddah as being part of a vast network of agencies connected to "Saudi centres of insurgency." One of the authors, Robert Dreyfuss, told *New Scientist*: "Environ-

mental and anti-growth organisations are planning to commit genocide in the world. They are working with the terrorist Muslim Brotherhood to take the Middle East back to the Dark Ages. We intend to fight these people and rid mankind of these evil organisations and the men who support them."

*Executive Intelligence Review* is one of a group of periodicals published by a network of organisations that derive their inspiration and direction from Lyndon H. LaRouche, Jr. These organisations are aggressively in favour of industrial expansion and nuclear power. They accuse individuals and organisations that oppose these goals of plotting "mass genocide." Organisations accused include the Club of Rome, the Aspen Institute of Humanistic Studies, The International Centre for Theoretical Studies in Trieste, the World Wildlife Fund, and a host of other scientific, environmental and technological organisations. LaRouche sees these organisations as being part of a vast conspiracy working under the guidance of British intelligence to "subvert American power."

According to his book, *The Power of Reason: A Kind of Autobiography*, LaRouche was born on 8 September, 1922 to a Quaker family. In the 1960s he led the U.S. Labor Party, a radical movement that broke away from Students for a Democratic Society. At that time he called himself "Lyn Marcus," and described himself as a Trotskyite. He now calls his group the National (or International) Caucus of Labor Committees, although it is difficult to discern its link with organised labour in the U.S. or anywhere else.

In the last U.S. presidential election, Citizens for LaRouche, "a nationwide campaign to support Lyndon H. LaRouche, Jr. for President," succeeded in raising enough money—\$5,000 in donations of less than \$250 each—to qualify for a matching federal grant in 20 states. LaRouche was the only fringe candidate to do so.

LaRouche may be a crackpot. But there is evidence to suggest that he is well-organised and dangerous.

According to Donald Lesh, co-director of the Global Tomorrow Coalition, a committee of people brought together by an interest in the U.S. Council for Environmental Quality's *Global 2000 Report*, LaRouche groups are very adept at financing their activities from industry and governments. "These organisations have great financial power. It is an internationally coordinated effort which also has the ability to work at grassroots level," he says.

Sam Nilsson, director of the International Federation of Institutes of Advanced Studies (IFIAS), says: "It is a highly organised and systematic attempt to disrupt and discredit the activities of environmental and other socially concerned organisations." Alexander King, IFIAS's chairman and a noted member of the Club of Rome, said "These people are doing their best to persecute us."

LaRouche's obsession with the belief that the club is out to annihilate the Third World and compromise the power and influence of the U.S. by propagating anti-nuclear and anti-growth policies has led to a campaign of harassment against the club's members. At a U.N. meeting in New York last May, where Aurelio Peccei, the president of the Club of Rome was speaking, the Citizens for LaRouche group had pickets outside armed with signs and leaflets attacking the club for being "genocidal." They infiltrated the hall where Peccei was speaking and heckled him while he spoke. At their annual meeting at Marymount College, also last May, LaRouche's devotees picketed the U.S. Association for the Club of Rome. When they were expelled from the campus, the pickets turned to telephone threats. A prominent member of the association received [a] telegram: "Dear . . . having a wonderful time, wish you were here—Jim Jones."

In the Middle East, LaRouche's groups are playing a much more dangerous game. Scientists and engineers who speak out against rapid technological growth or show concern for the environment are branded as "communist" and "leftists" if they live in conservative states such as Saudi Arabia or "members of the terrorist Muslim Brotherhood" if they live in countries such as Iraq and Syria.

LaRouche followers sent "intelligence reports" containing these allegations to Arab embassies in the U.S. and to civil servants in the Middle East. They also present these reports at special seminars to which selected decision-makers are invited. One such seminar was held in Paris on 12-13 December under the title "The fight for progress and science."

In some circumstances this kind of rumour can lead to imprisonment or execution. Ali Kettani, director of the Islamic Foundation for Science, Technology and Development, said: "They are picking up names and circumstances and putting them together in a way that has nothing to do with reality. But figments of their imagination could have quite serious consequences for Arab scientists. I hope that Arab governments do not pay attention to these people."

Abdus Salam, Nobel laureate and director of the International Centre for Theoretical Physics, said: "It is easy for us to dismiss LaRouche as a crank. But for scientists in some Middle East countries, the accusations of his groups can have very serious consequences."

One Arab scientist who has been mentioned in more than one report of the LaRouche groups said: "Their reports contain unbelievable rubbish. But the problem is that not everyone reads them to discover this. A lot of the harm they have caused, and in particular the problems they have generated for me, is the result of hearsay and the rumours they have produced."

LaRouche's groups have many names. His Fusion

Energy Foundation campaigns for nuclear energy and projects itself as an organisation of cool technocrats devoted to a fusion future. It publishes *Fusion* and the *International Journal of Fusion Energy*.

LaRouche's clean-cut young devotees sell *Fusion* at airports and other public places across the U.S. and West Germany. It is a professional-looking, slick magazine. *Executive Intelligence Review* is a newsletter-type advisory service sold for \$396 a year with the pitch: "Don't you need to know what Lyndon LaRouche knows?"

All of this indicates that LaRouche has a complex and well-financed operation, though the number of committed adherents may be small—about 2,000 in the U.S. And, as Faye Beuby, acting director of the U.S. Association for the Club of Rome says, "they are decidedly not looking, despite their claim to be neo-Platonic, for impartial dialogue."

## Who controls the New Scientist?

by Vin Berg and Sylvia Barkley

British science is both a cover for intelligence operations, and itself an intelligence operation. *The New Scientist* is exemplary.

One reason the magazine singled out for attack the *EIR* Special Report on "Prospects for Instability in the Arabian Gulf" is that report's documentation of the subversive operations being carried out through the International Centre for Theoretical Physics in Trieste, Italy, King Abdul Aziz and Cairo Universities, and the Islamic Foundation for Science and Development, which are associated with the *New Scientist's* controllers.

The magazine's three-man advisory panel sheds a more general light on its origins and purpose.

Sir Harold Montague Finnieston headed the British Steel Corporation under James Callaghan, and drove it into a state of "post-industrial" wreckage. Sir John Mason is a long-time Royal Air Force executive. Finnieston was made General Secretary of the British Association for the Advancement of Science (BAAS) in 1970; Mason is a BAAS Honorary General Secretary.

The BAAS was founded during the last century by the Cambridge Apostles with aid of the Aristotle Society. The Apostles is an elite secret society whose members are tracked into British intelligence leadership (H. "Kim" Philby, Donald Maclean, et al.). The Aristotle Society was headed for years by Bertrand Lord Russell, one of



the most important British intelligence executives of this century.

The third *New Scientist* advisory-panelist, Prof. Sir Michael Swann, is perhaps the biggest spook of the bunch. In 1973, Swann was made chairman of the British Broadcasting Corporation. Out of consideration for its psychological warfare and other intelligence-operations value, BBC chairmen and other leading position-holders are always high-level intelligence specialists. BBC was created at direction of Winston Churchill by "the man called Intrepid," Col. Sir William Stephenson, the Perminindex arm of whose Special Operations Executive was later indicted in connection with the 1963 Kennedy assassination.

In 1979, the BBC was thrown out of Iran by the Shah for its arrogant organizing of the "Khomeini Revolution" using St.-John and "Kim" Philby's Muslim Brotherhood assets, whose cover *EIR* blew off to the discomfiture of the *New Scientist*.

This spring, Sir Michael was raised to Michael Lord Swann.

Swann's sister, incidentally, married the Anglican Bishop of Truro. In 1944-46, prior to assuming high positions in the Church of England, the Bishop was with the Operations Research Group Division of Supply, a military unit run by the psychological warfare division's Tavistock Institute under Lord Beaverbrook.

As noted in this section, the Sardar article in the *New Scientist* was written at the instigation of Alexander King, co-founder of the Club of Rome, Director of the International Federation of Institutes for Advanced Studies, and for many years head of the secretariat of the Organization for Economic Cooperation and Development (OECD), NATO's policy-controlling body. In a June 23, 1981 interview with *EIR*, King described one of his major accomplishments as the proliferation of "the new math" and the radical reform of French education. While the Club of Rome's Tavistock associates manufacture raving environmentalist movements, King himself orchestrates the more sedulous policy of "technology restriction."

It is worth noting that the magazine is particularly upset by humor, and in its May 13 issue carried an attack on the U.S.-based Fusion Energy Foundation for the latter's pro-nuclear bumper stickers. American utilities, recommended the *New Scientist*, should hire a lower-keyed public relations firm of their own. Interestingly, in May, the key P.R. firm for the utilities and nuclear power companies, Underwood & Jordan, had been taken over by Ogilvy & Mather, International, which represents the World Wildlife Fund, Royal Dutch Shell, three British government entities, and Seagram & Sons of Canada, and is headed by David Ogilvy, a former British espionage expert.

## A profile of Mr. Sardar

Ziauddin Sardar's associates and collaborators establish his role as a liaison between Muslim Brotherhood and Club of Rome networks. Sardar's specialty as a science reporter is a fraud. The science that Sardar promulgates is the neo-Malthusian environmentalism that the Club of Rome and its Islamic sister organization, the Geneva-based Islam and the West, are attempting to infuse into the Muslim world, in order to undermine the pursuit of high-technology economic growth for the majority of impoverished Muslims.

In 1979, the British-born and educated Sardar was on the payroll of Islam and the West. Sardar himself has admitted to being a close friend of Pakistani physicist Abdus Salam, a member of the Club of Rome and father of the "Islamic" nuclear bomb project. Salam heads the Trieste-based International Centre for Theoretical Physics, set up to indoctrinate

young Third World scientists in zero-growth environmentalism.

Sardar is also known to work closely with the elite World Futures Society and its sister organization, the International Federation of Institutes of Advanced Studies (IFIAS). *EIR* has learned that Alexander King, NATO-linked British intelligence executive, chairman of IFIAS, and co-founder of the Club of Rome, directed Sardar to write the *New Scientist* article attacking *EIR* and LaRouche.

Sardar, not yet 30, is reported by London-based Arab sources to be the publisher of a magazine called *Al Yaqeen*, an outlet for the Pakistani ruling Muslim Brotherhood party, the Jamaat e Islam, officially distributed by the Pakistani embassy in Bonn and Grand Mosque in Paris. The same sources report that the London-based Muslim Institute for Research and Planning, with which Sardar works closely, is an extensive research and intelligence organization of the Muslim Brotherhood. This organization has been named as one source of plots to incite physical violence against LaRouche's organizations and *EIR* personnel.

## What IFIAS networks say about the EIR

The *New Scientist* attack on the LaRouche organizations was the first public admission from prominent environmentalist-depopulation ideologues which control the fanatical Muslim Brotherhood that LaRouche and his associates had seriously discredited them internationally.

Simultaneous with the release of the *New Scientist* article, LaRouche's International Caucus of Labor Committees (ICLC) successfully undermined a major conference of the Muslim Brotherhood sponsored by Texas Schlumberger heiress Countess Dominique de Menil at the Rothko Chapel in Houston, Texas. Through a mobilization, the ICLC succeeded in gaining press coverage in Texas exposing Countess de Menil and the brigade of Muslim Brothers whom she invited to Houston.

Earlier in October the influential Kuwaiti daily *As Siyassah* became the first Arabic journal to serialize the book *Hostage to Khomeini* by EIR Mideast Editor Robert Dreyfuss, with Thierry LeMarc. According to an *As Siyassah* source, the printing of the book, which exposes the Brotherhood and its European-based pro-Dark Ages controllers in detail, has caused *As Siyassah's* readership to climb by 35 percent.

Below are interviews with British intelligence controllers and operatives on the exposés against them.

### **Per Lindblum: 'This group could be dangerous'**

*Per Lindblum, Deputy Director of IFIAS in Stockholm, also revealed that he is preparing his own exposés of EIR. IFIAS, along with the Jeddah-based Islamic Conference, is preparing a project on Islamic science which will be the ideological vehicle for introducing a low-technology model of zero-growth economic policies into the Muslim world, a project which Lindblum revealed Sardar and IFIAS Director Sam Nilsson are coordinating.*

**Q:** I understand that Ziauddin Sardar is coordinating with Sam Nilsson, the head of IFIAS. What do you know of this?

**A:** Yes, Sardar and Nilsson put together the "Science and Technology" project for the Islam and the West organization. . . . As a matter of fact, I have Sardar's *New Scientist* article right here on my desk. . . .

What you should know is that this group which Sardar attacks in his article has been criticizing and disclosing the work of various people . . . and has made it very dangerous for some people. The person heading up the group is LaRouche.

**Q:** Why are they considered dangerous?

**A:** They have been attacking us for a long time. They are against the Iranian revolution, and they are putting at risk the work and life of Aurelio Peccei. They, I would say, have a touch of ultra-right-wing Nazism in them.

They are really the European Labor Party. Here in Sweden, they have been attacking various people for undermining the policies that they represent. They propagate capitalist, pro-nuclear policies. . . . They are financed, I am told, by industry . . . and obscure sources. This is a group not to laugh at. They could be dangerous.

We [at IFIAS] were subject to an interview by them in their Swedish magazine *Energi*; we were exposed to the same type of attacks. They attacked the King of Sweden and [former Social Democratic Prime Minister] Olof Palme.

### **Alexander King: 'They must be taken care of'**

*Alexander King, chairman of the International Federation of Institutes of Advanced Studies (IFIAS), and a leading member of the Club of Rome, was discovered to have been responsible for prompting Sardar to write the New Scientist attack on LaRouche and his associates. Here is what he had to say about EIR.*

The *EIR* is linked to the American Labor Party. They have attacked IFIAS and the Club of Rome and they are saying that we are against poor people in the Third World. That's ridiculous; we are not a political operation. They even accused us of overthrowing the Shah. These people are a nuisance. I would not like Sardar to exaggerate their importance, but they must be taken care of.

### **Marcel Boissard: 'They are crazy and determined'**

*The following is an interview with Marcel Boissard, Director of the Islam and the West Organization in Geneva, which mediates between the Club of Rome/World Futures Society level of control and the Muslim Brotherhood. During an October conference in Paris, Islam and the West officially affiliated with the Club of Rome.*

**Q:** What do you know about the *EIR* that Ziauddin Sardar writes about in the *New Scientist*?

**A:** *EIR* has attacked us in Islam and the West as agents of the Muslim Brotherhood. I've been told here in Geneva that the man behind the whole thing is Bob Dreyfuss. Bob Dreyfuss is the one who wrote the book *Hostage to Khomeini*. That book attacks the Club of Rome and everyone working with them. It's a big nuisance because it is being taken seriously by some people.

**Q:** What do you know about the *EIR*? What is behind it?

**A:** If you look at their magazine, you will see that it's very liberal, liberal-left, and very negative toward Islam. Their group is extremely anti-Arab. We have been asked about them before. I know this group. A Swiss banker friend of mine [*EIR* investigations point to Islam and the West Treasurer Nicholas Krul—ed.] is suing them. They published an article saying that he is an arms dealer working for Qaddafi. You should talk to Sardar. He has more information. . . . They have written some strong accusations. They wrote against Aurelio Peccei, against IFIAS. They are crazy . . . they want to destroy our work. . . .

But if you want more information you must contact Sardar. He met them in New York. When I talked to him last, he said that he was totally amazed by the mentality of these people . . . their aggressiveness and determination and thinking to destroy the Club of Rome.

## **Ziauddin Sardar: 'It is difficult to sue them'**

*In an interview with a journalist, Ziauddin Sardar had the following to say about EIR and LaRouche.*

*In Sardar's discussion of a strategy of launching numerous lawsuits against EIR, he mentions the attempt of both Robert Swann and Cyrus Hashemi to win legal cases against EIR. Swann is a longtime British intelligence agent associated with the Council for the Advancement of Arab-British Understanding. Hashemi is a known agent of Khomeini's secret intelligence service, Savama, who has acted as a liaison between Khomeini's Iran and terrorist groups in the U.S. controlled by or allied to Savama. Sardar also mentions coordinating his efforts against EIR with Donald Lesh, the former director of the U.S. Association for the Club of Rome. Lesh, an "expert on LaRouche," is now coordinator for the Global Tomorrow Coalition, which was formed out of the Carter administration Council for Environmental Quality to promote the State Department's Global 2000 policy, a policy which echoes Peccei's call for*

*decreasing the world's population by 2 billion people by the year 2000.*

**Q:** How did you get to know *EIR*?

**A:** I met with this group about four or five months ago. I was at their office. The people who are directly involved in attacks against our work in the Middle East are Lyndon LaRouche, Robert Dreyfuss, and a woman, Judith Wyer. The person you should contact for further information on them is Robert Swann in Paris. We had originally planned a court case against these people, but Swann recommended not to bother. He tried to sue them but was not satisfied with the outcome of the suit. If you are in the U.S., you should contact Cyrus Hashemi. Hashemi sued them in New York for mentioning him in *Hostage to Khomeini*. . . . He also provided Robert Swann with information.

The Hashemi case is still pending, I think. The U.S. [Association for the] Club of Rome was also interested in doing the same. . . . I know they were considering a suit several months ago, but I really don't know if they have given up the idea. . . . Donald Lesh mentioned that they were considering dropping the whole thing recently. . . .

They have created an extensive problem for us; with the legal suits, the most we can hope for is a suspension of their publication . . . but them—they will only publish a different one. I take them semi-seriously. I think they are pretty dangerous. They must be exposed and they must be stopped, because in the Middle East, unfortunately, people feed on half-truths and lies, and have been taking them seriously. That is where they have damaged us the most.

In Britain, they are not very active. They are very anti-British. Their philosophical orientation is best exemplified by the book *The New Dark Ages [The New Dark Ages Conspiracy]* by Carol White. That pretty much sums up their philosophy. They attack Huxley et al. They are very anti-British.

**Q:** Don't you think you are exaggerating the importance of *EIR* and the LaRouche people?

**A:** Well, I try not to exaggerate. I have come across them several times, and I have been approached by several scientists complaining about them. They have been making false accusations about certain people working for sensitive governments. . . . Their false accusations are causing problems for some scientists.

**Q:** What government do you mean? Saudi Arabia?

**A:** Yes, Saudi Arabia, Iraq, Syria. At first I dismissed these LaRouche people; I thought they were lunatics. But then, one or two very scared scientists approached me, and I thought it was time to do a story. A couple of scientists had been approached by their own security people because of these false accusations.

# LaRouche warns of KGB penetration by way of the United Brands orbit

by our Wiesbaden staff

Former Democratic Party presidential-primary candidate Lyndon H. LaRouche, Jr. on Nov. 13 issued a public warning of Soviet KGB penetration of both the Caribbean and U.S. policy-making circles through channels centered upon Max Fisher's United Brands.

LaRouche emphasized: "The center of this national security problem is overlap of interests associated inclusively with Sol Linowitz, United Brands, Charter Oil, and Armand Hammer. If 'Billygate' had not been blocked by Attorney General Benjamin Civiletti's cover-up operation, one of the greatest single channels of threats to the national-security interests of the United States would now be in the process of being taken apart."

LaRouche clarified: "I have reason to believe that most of what I know as fact in this matter of national-security is already known to elements of the U.S. intelligence community. Unfortunately, White House vacillation, under pressures from circles including Max Fisher's networks in both the Republican and Democratic parties, proves that the full intelligence picture has been blocked from reaching the highest relevant levels of the executive branch.

"For that reason," LaRouche continued, "It is imperative that I by-pass regular channels and that I bring exposure of this particular threat to United States national security directly into the open, where Fisher's influence cannot block transmission into appropriate channels of policy making."

The former Democratic presidential candidate identified three areas in which circles linked to Max Fisher constitute an immediate and major threat to the national security of the United States: 1) The present left-wing insurrections in the Caribbean, in which logistical and covert capabilities intersecting United Brands are a principal channel for what has been advertised as a Soviet KGB-linked operation; 2) The Bronfman-Fisher links to Soviet KGB circles in efforts to throw the influence of the United States out of the Middle East; 3) Domestic threats to the internal security of the United States, involving accomplices of Benjamin Civiletti and Ramsey Clark.

## LaRouche seen at the center by London

"The citizen should know that the highest levels of a faction of the British Secret Intelligence Service (SIS)

have blamed me for destroying a major part of the British SIS capabilities deployed against the United States' interests in the Middle East."

LaRouche qualified: "This surfaced publicly in the Oct. 22, 1981 issue of a British SIS publication known as the *New Scientist*. The British SIS charge that I am principally responsible for neutralizing a major chunk of SIS Middle East capabilities, is now circulating in the highest levels of private diplomatic and intelligence circles from such SIS and Club of Rome circles as Dr. Alexander King and Robert Swann.

"There is presently occurring a special meeting of the Moon cult in South Korea, involving Nicholas Krul and other relevant figures, to determine what course of action shall be taken by SIS and its U.S. accomplices in the effort to eliminate me personally. The citizen should know that the Moon cult is an asset of British SIS, created out of the old apparatus of Moral Rearmament. Donald Lesh, a Kissinger crony and key official of the Club of Rome, is among the intelligence-community executives immediately assigned to coordinate dirty operations against me and my associates inside the U.S.A., and to assist in preparing covert foreign operations complementing those domestic dirty tricks.

"This operation against me, which involves top levels of Max Fisher associates, is currently utilizing the resources of the drug-lobby and allied underworld elements in the desperate effort to discredit and neutralize my specific capabilities for defending U.S. national-security interests."

LaRouche emphasized, "I must correct the information being circulated throughout the Middle East and elsewhere. I am neither a member nor contract associate of the Central Intelligence Agency, nor an agent of 'liberal Zionist' circles.

"I do support every effort to promote negotiated peace between Israel and Arabs, and I naturally make appropriate contacts concerning any matter in which I have probable cause to believe the national-security interests of the United States and its friends are being threatened.

"Although I often disagree with Reagan administration policies, I will defend that administration against any attempt to 'destabilize' it and against every perceived threat to the personal well-being of members of

that administration—it is, after all, our government.

“The independent capabilities of myself and my associates are governed by no other consideration but our conscience in such matters. Any contrary representation of the activities of myself and my associates is simply an outright lie.

“The citizen must come to recognize,” he added, “that the period since the middle of September defines the unfolding of the greatest threat to western civilization during this century. There is a world depression in progress, awaiting only the threat of an early 1929-style monetary blowout to become a full-fledged world depression in every sense of the term.

“The threat of the general destabilization of both the Middle East and the Caribbean are leading strategic elements of the situation. The survival of the United States as a great power depends upon stopping the depression, and neutralizing both the Caribbean and Middle East threats. These three threats to national security, plus the threat of new outbreaks of international terrorism and urban rioting, are the four points of national security on which my associates and I are presently concentrating our resources. President Reagan’s support of the Fahd plan must succeed, and receive the support of every patriotic American,” the former presidential candidate continued.

“In this connection,” he continued, “as in war, it is necessary to concentrate battle-forces against very specific enemy capabilities. The links between the network including Max Fisher’s United Brands and the Soviet KGB is the proper strategic selection of target at this moment. Max Fisher’s circle, although powerful, is not as important in and of itself as too many believe it to be. The neutralization of Fisher-Bronfman-Hammer circles will serve the purpose of blunting an immediate security threat, and the further purpose of unravelling a large part of the enemy capabilities as a whole.”

### **Rothko Chapel affair**

“To educate the citizen on this point,” the former presidential candidate continued, “I wish to provide that citizen with a basic case-study in the ABCs of strategic intelligence work. I focus on the links to the Fisher network and the KGB through the recent Rothko Chapel rally of the British-intelligence operation backing the Muslim Brotherhood.

“The mother-organization for the group sponsoring the Houston, Texas Rothko Chapel affair is a British SIS front-operation called ‘Islam and the West.’ This ‘Islam and the West’ operation is directly and multiply interfaced with the Soviet KGB’s Middle East and Latin American sections.

“The reference-point for tracing out these connections is joint sponsorship of British SIS’s creation, the Muslim Brotherhood, by SIS and the Soviet KGB,

together with the Soviet KGB’s allies in the present government of Israel, Ariel Sharon and Yitzhak Shamir. This is the network which top levels of British SIS assert hysterically that I am largely responsible for severely damaging.

“The Rothko Chapel itself is also directly linked to top circles of the Soviet KGB, through the Schlumberger interests associated with Madame de Menil—the latter a recent guest at the White House.

“The Rothko Chapel is a branch of the St. Basilian Order. The St. Basilian Order is a subdivision of what is called the Greek Catholic Church, an intelligence front based chiefly in Romania and the Ukraine, and also based in the KGB’s Russian Orthodox Church intelligence operation in Paris. This order is hard-core Russian-Ukrainian ‘Black Hundred’ aristocracy, the section of the Czarist Russian aristocracy which conducted the anti-Semitic pogroms in Russia. Through this channel, the anti-Semitic Russian fascist organization, the NTS (Naroduyi Trudovi Soyuz—People’s Labor Alliance) is directly linked to top circles of the KGB through KGB official Pimen, the executive of the Russian Orthodox Church. The Soviet KGB interface into the Middle East is run chiefly through the hierarchy of the Antiochian Eastern Church and the Lebanon-based St. George cult.

“This Romania-Ukraine channel into the highest levels of the KGB is overlapped with British intelligence through the Anglican hierarchy in Britain, and is directly coordinated through the Queen’s private household, through such channels as the late Herbert Waddams’ operations into both the Russian Orthodox hierarchy and the Antiochian hierarchy. British intelligence’s Robert Swann is part of this operational channel. The late Herbert Waddams was key in placing KGB General Harold ‘Kim’ Philby as a SIS triple agent into the highest levels of the KGB.

“Our investigations of the Russian Orthodox Church along these lines were greatly improved by our investigation into the May 1981 attempt to assassinate Pope John Paul II, and by recent actions of the Vatican to bring the Jesuit order under top-down control. It is the Jesuit order which operates the St. Basilian Rothko Chapel in Houston, Texas, and the same circles of Jesuits which deploy left-wing organizers from Louisiana through conduits under the auspices of United Brands and associated multinational entities. Secretary of State Haig’s ‘foot-dragging’ on the AWACS sale, and Max Fisher’s role in attempting to deploy Senator Packwood and others to defeat the AWACS sale, do not originate from inside Israel, but from non-Jewish circles which count Sharon and Shamir as KGB-linked assets.

“However,” LaRouche emphasized, “it would be a major blunder to assume that Secretary Brezhnev is the author of policies of the Soviet KGB and the Soviet Malthusians behind Suslov, Ponomarev, and Zagladin.

The name of the strategic game at present is a British SIS-led effort to have Suslov's faction take over the Soviet leadership in the present succession-fight in Moscow. At the same time that the power of the United States is destroyed by combined effects of the Carter-Volcker depression and 'chaos and confusion' operations including assassinations of world figures, possibly including a new attempt on the President himself.

"This strategic operation is the basis for the close cooperation among such otherwise disparate forces as SIS, Max Fisher's circles, and the Soviet KGB.

"That is key to the reasons we focused on the Rothko Chapel atrocity in Houston, Texas. We know, through the aid of intelligence sources and undercover work in Europe, that the Rothko Chapel affair was an operation against the national-security interests of the United States. It was for that reason that admirers of Max Fisher accelerated an in-preparation covert operation against me and my associates in the United States, and major covert operations against my friends in several Western nations.

"Given the very limited physical resources at the disposal of my associates and myself, we are obliged to focus our capabilities on those selected problems which we know to represent the greatest possibility for weakening the overall deployment of enemies of the United States, enemies including the circles of Henry A. Kissinger and including dupes such as the former President

Gerald Ford, who with well-meaning innocence probably maintains a friendly view of Max Fisher's crowd."

"Don't be influenced by what Fisher's friends argue to be Israel's interest. Israel's interest is to survive, and to escape from the hideous austerity driving many Israeli citizens to refuge in other nations.

"It is Israel's interest to dump the lunatic policies of Sharon and Shamir, and to cooperate with President Reagan in making the Fahd plan the doorway opening to durable negotiated peace, through economic development throughout the Middle East region. Most relevant Arab forces are prepared to recognize Israel on this basis; it is a golden opportunity which Israel must not waste. The majority of Israelis would welcome such a U.S.-guaranteed basis for durable Middle East peace at last. Many prominent Israelis privately share my views on this matter, if only the White House and State Department would free Israel from the enslavement to Begin which Carter, Vance, and Brzezinski imposed during the closing months of 1977.

"I ask my fellow-citizens to support two exemplary elements of a new Middle East peace effort under Fahd plan auspices. Let us blast a ditch between the Mediterranean and Egypt's Quattara Depression, as part of the same, even-handed package under which Israel is assisted with the Dead Sea link to the Mediterranean. Let us steam-roller politically, all those who oppose such approaches to make durable Middle East peace a reality."

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## The Fahd plan and its international opponents

by Nancy Coker

The government of Israeli Prime Minister Menachem Begin and Defense Minister Ariel Sharon is preparing "limited war" in Lebanon in order to destroy the peace plan of Saudi Crown Prince Fahd, according to informed intelligence sources close to General Sharon. The sources are considered to be reliable. Three weeks before Anwar Sadat's Oct. 6 assassination, they had predicted that Sharon wanted to "put a bullet in Sadat's brain."

The timing of the Israeli attack on Lebanon centers on the Nov. 25 Arab summit in Morocco, where the Fahd plan is to be discussed and possibly approved by the entire Arab League. Israel's Camp David partner Egypt, which is temporarily excluded from the League, has endorsed the plan, and President Reagan has given signals that the United States might also back Fahd's perspective.

Washington has thus become the pressure point for the realization of the Fahd plan. An Israeli parliamentary delegation arrived in Washington last month on the first stop of a national tour to lobby on behalf of Israeli war aims. The point man in the Reagan administration for this operation is Secretary of State Alexander Haig, the convert opponent of the AWACS sale to Saudi Arabia who defended last spring's Israeli bombing of Iraq's nuclear research facilities. Haig is said to support an Israeli strike into Lebanon now.

Working with Haig is Michael Ledeen, one of his Jesuit-controlled advisers, who is close to both Israeli and British secret services. At a Washington breakfast Nov. 10, Ledeen criticized the Saudi plan and made the

assertion that President Reagan "sees nothing in it."

Across town at a White House press conference, however, Reagan stated that the Fahd plan is a hopeful sign because it implies an Arab willingness to recognize the existence of Israel.

### Sharon's plans

Backed by London and the Socialist government France, Begin and Sharon are planning military action to disrupt and radicalize the Arab world. Because Fahd's plan does imply recognition of Israel by the Arabs, extremist factions in Syria and the Palestine Liberation Organization—and Libya—oppose it. By attacking Lebanon and the PLO there, Israel hopes to strengthen these radical Arab forces.

On Nov. 9, six Israeli jets crossed into Saudi airspace and flew over Tabuk air force base in Saudi Arabia. A number of Saudi jets scrambled to meet Israel's planes, according to the Saudi press agency, and drove the six planes back toward Israel.

Sharon, after the incident, proclaimed that "Israel will treat the Saudis exactly as we treat every confrontation state." Then, in a press conference, Sharon threatened war against Lebanon and Syria. Charging that the PLO had illegally concentrated forces in south Lebanon and that the Syrian missiles in Lebanon had not been removed by "peaceful means," Sharon said that Israel "will have to act."

"Israel will not be able to wait for an indefinite period," said Sharon. "I wouldn't like to emphasize any



specific red line but, believe me, we have that red line. The voices that we hear from Washington and Europe [on the Fahd plan] do not encourage us. They give us the sign that we have to be much more careful."

Prime Minister Begin echoed Sharon. "We have made all the concessions we can possibly make and still protect our national interests."

A high-level source in the World Jewish Congress has explained what that means: "Israel is fed up with the Reagan administration and its pro-AWACS, pro-Fahd plan. . . . The only friend we have in the administration is Haig. That is why we are going to strike now."

"We'll have a little war," the source continued. "We'll invade Lebanon, maybe going as far north as Beirut, killing a lot of Palestinians in the process. We'll also challenge the Syrians, maybe hitting them directly through the Golan Heights or going after their missiles. We'll threaten Iraq and Saudi Arabia. The West Bank will start emptying out, as those Palestinian bastards start streaming across the bridges into Jordan. And, of course, war will ensure that we'll never have to give back Sinai."

"This won't necessarily happen before the Nov. 25 Arab summit. It may occur after, with the summit serving as a nice justification for the hit. There are some important side operations that will also have to be carried out. King Hussein of Jordan will have to be assassinated. And so will Arafat. And that, in short, will be the end of the Fahd plan."

Complicit in the operation, the source revealed, is King Hussein's brother Prince Hassan.

Mootings of the formation of a government of national unity, an option favored by Begin and former Prime Minister Yitzhak Rabin of the Labour Party, underline the danger. Although deemed unlikely to succeed by most analysts, negotiations are reportedly under way. The last time a national unity government was formed was in 1967, one week before the Six Days War. Said the source at the World Jewish Congress: "A national unity government in Israel means war—nothing else."

### **The 'uncontrollable nuisance factor'**

"I do not recall ever seeing the Middle East so hot, so close to exploding, than it is at this moment," noted one Washington source close to the Israeli government.

A State Department official seconded the assessment. "I am hard put to find a time in the recent past when the Israelis have been so excitable and so sensitive about everything. Israel has reached a state of paranoia we haven't seen in years. I can't rule out the possibility that they might do anything."

Commented one Israeli strategist: "We are uncontrollable—that is our secret weapon."

Apologists for Israel's provocative sabre-rattling

insist that Israel's agitation is "understandable" and that Begin must not be condemned but accommodated. Syndicated columnist Joseph Kraft recently called for "stroking" the Israelis, not "armtwisting" them, because when "it comes to determination, [they] command an absolute weapon"—the bomb!

In the same vein, the lead editorial of the Nov. 12 *New York Times* states that Israel's war "fever" should not be derided but treated with "Camp David medicine," not the Fahd plan.

President Reagan, however, is in no mood to tolerate military adventurism by Israel as Secretary of Defense Caspar Weinberger indicated at a meeting of the Anti-Defamation League in New York Nov. 16. Israel must not view American policy from the standpoint of that policy's being a threat to Israel, Weinberger warned. "Israel must understand this so as not to do anything drastic."

One Washington-based intelligence analyst filled in Weinberger's warning. "If Israel blows up Lebanon to disrupt the Saudi peace plan, I think they will find that the White House will take the strongest action, including a complete halt of U.S. arms shipments to Israel."

## **The eight points of the Fahd peace plan**

*Following is the text of the Middle East peace plan proposed by Crown Prince Fahd of Saudi Arabia.*

1. Israeli evacuation of all Arab territories seized during the 1967 Middle East war, including the Arab sector of Jerusalem.
2. Dismantling the settlements set up by Israel on the occupied lands after the 1967 war.
3. Guaranteeing freedom of religious practices for all religions in the Jerusalem holy shrines.
4. Asserting the rights of the Palestinian people and compensating those Palestinians who do not wish to return to their homeland.
5. Commencing a transitional period in the West Bank of Jordan and the Gaza Strip under United Nations supervision for a duration not exceeding a few months.
6. Setting up a Palestinian state with East Jerusalem as its capital.
7. Affirming the right of all countries of the region to live in peace.
8. Guaranteeing the implementation of these principles by the United Nations or some of its member states.

The question remains: has Israel gotten the message? Or is Begin insane enough to risk a showdown with Reagan? A lot of people in Washington think the latter."

### **Arab diplomacy**

The Fahd plan represents the most serious challenge yet to Israeli intransigence. In an interview with the *New York Times* Nov. 14, Saudi Arabia's acting ambassador to the United Nations Gaafar Allagany stated unequivocally that the Fahd plan recognizes Israel. Although the Saudi government later stated that Allagany's remarks had not been officially authorized, the directness of his comments cut through the game-playing of Israel and the Haig faction in Washington, who insist that the Fahd plan is a plan for the dismemberment of Israel.

The heads of state of the six-nation Gulf Cooperation Council, led by Prince Fahd, met in Saudi Arabia Nov. 12 and agreed to propose the Fahd plan at the Nov. 25 Arab summit. Although the Saudis anticipate that the radical states of Libya, Algeria, South Yemen, and possibly Syria will reject the plan, they consider endorsement by the other 16 Arab nations as sufficient backing to advance the peace process. The next step will be to present the plan to the United Nations General Assembly and Security Council.

The Arab summit coincides with the end of the Nov. 22-25 visit to West Germany by Soviet President Leonid Brezhnev, where the Fahd plan will be on the agenda of discussions with West German Chancellor Helmut Schmidt. During his October visit to Bonn, Prince Fahd reportedly asked Schmidt to mediate with the Soviet Union on behalf of the Saudi peace effort.

Israel's radical allies in the Arab world are conducting their own wrecking operation against the Fahd plan, under the tutelage of British and Soviet intelligence and related Orthodox and Anglican church networks.

According to the French newspaper *France-Soir*, Libya is pouring thousands of tons of arms into southern Lebanon to beef up extremist Palestinian forces associated with Colonel Qaddafi. In addition, Libya has called a meeting of the radical Arab Steadfastness Front to consider strategy on how best to torpedo the Fahd plan.

The PLO is under great pressure to succumb to Libya's anti-Fahd line. Combined with Israel's threats to invade Lebanon, Libya's pressure on the PLO is aimed at radicalizing that organization against Arafat, who has indicated his support for the Fahd plan.

Rounding out the opposition to the Fahd plan is the leadership of the American Jewish community, a leading spokesman of which is Max Fisher of Detroit, chairman of the Jewish Republican Caucus and a

leading figure in the anti-AWACS fight. On Nov. 19, Fisher, a kingpin in international drug-trafficking networks, and his 35-member Caucus met with Reagan and other White House officials to extend an ultimatum: either back off from the Fahd plan or Israel will be given the go-ahead to invade Lebanon.

In a recent interview, Fisher crony Rita Hauser, also of the Jewish Republican Caucus, stated: "The Fahd plan is the wrong policy for Reagan to be following. We will tell the President we are opposed to the Saudi plan and if he moves that way it puts in jeopardy Camp David. If Israel gets frightened, they may preempt into Lebanon in self-protection. This has to be factored in by the President."

Others, such as Philip Klutznik of the World Jewish Congress, are relaying a softer line on the Fahd plan as part of an effort to "squeeze the Saudis" and transform the Fahd plan into another Camp David non-solution.

### **Haig's role**

The White House is definitely feeling the heat. Much to the surprise of the Saudi embassy, the State Department announced Nov. 18 that the visit of Prince Fahd to Washington, scheduled tentatively for Dec. 1, has been indefinitely postponed to at least the beginning of 1982. The Fahd visit on Dec. 1 was to have been crucial as a followup to Reagan's talks with Fahd at Cancún, Mexico, last month.

Linking the postponement of the Fahd visit to the increased pressure from the Begin lobby on Reagan, a Saudi source stated, "We expected this. It seems that the Zionists are going to start to play rough."

The inside man in the blackmail operation against Reagan is Haig, who is coordinating policy closely with London. The London gameplan, as seen by Lord Carrington, is to force the United States into a narrow alliance with Israel. Through such manipulation, Carrington believes that he can win Arab support for some sort of Anglo-French peace plan with the aim of establishing a European-Arab axis independent of Washington and Moscow. London, French President Mitterrand, and a faction of the Soviet leadership around ideologues Boris Ponomarev and Mikhail Suslov are agreed on this strategy for undermining American influence in the Middle East.

Carrington, who controls Haig, is using the self-infatuated General to wreck the possibility of U.S.-Saudi cooperation. That accomplished, the Fahd faction in Saudi Arabia will be isolated and eventually, Carrington hopes, compelled to join the Anglo-French axis. In the short term, however, the British and their friends in Moscow are quietly throwing their weight behind Israeli adventurism to disrupt the Reagan administration and wreck the Fahd plan. Whether or not they succeed depends on Reagan's will, and skill, in fighting back.

# The Global 2000 attack on Colombia

by Cynthia Rush

A group of Colombian and U.S. academics, journalists, students, diplomats, and other professionals convened last month at Johns Hopkins University's School for Advanced International Studies to discuss "Democracy and Development in Colombia During the Eighties." Throughout the day-and-a-half conference, the participants tenaciously avoided any discussion of the two central issues relevant to Colombia's future: the expanding drug trade and the depopulation of the nation.

Except when the *EIR* representative intervened, the Nov. 6-7 conference panelists stuck to the agenda items and scenarios pre-packaged by the World Bank and the other Malthusian agencies that generated the U.S. State Department's *Global 2000/Global Future* policy of reducing the world population by some 2 billion by the end of the century. Colombia faces a future of "unbeatable" inflation and economic crisis necessitating strong doses of Friedmanite austerity; and heightening social conflict and violence in the country is to be resolved by the application of labor-intensive "full employment" programs. The fact that a depopulation policy has reduced Colombia's demographic growth rate from 3.2 to 1.9 percent in a little over 10 years was ignored. And, in his presentation on "U.S.-Colombian Relations," the State Department's Colombia desk officer James Bell never referenced the drug issue despite the fact that Colombia's role as a producer and exporter of large quantities of illicit drugs—chiefly to the United States—is the single most important issue affecting relations between the two countries. Bell dedicated all of his remarks to praising Colombia's backing for Alexander Haig's confrontationalist approach to the Caribbean and Central America.

There is a reason why the Johns Hopkins panelists studiously avoided mention of these crucial issues. From their positions at the World Bank, the Inter-American Development Bank (AID), and leading academic institutions in the United States and Colombia, many of them have helped to *formulate and carry out* the drug and depopulation policies that have ravaged Colombia for three decades. Since 1949, Colombia has been one of the World Bank's most successful laboratory experiments. The dramatic decline in the growth of the Colombian population is not the result of modernization, urbaniza-

tion, and other advantages offered by a "newly industrializing country," as the population "experts" claim. It is due to higher infant-mortality rates and the destruction of living standards resulting from a regimen of harsh austerity and deindustrialization policies imposed by several Colombian Presidents beginning in the early 1960s.

The deliberate collapse of Colombia's cotton industry and its subsequent replacement by marijuana production is one example of what World Bank policy has wrought in this country. Yet, the individual perhaps most responsible for this disaster and for the encouragement of the drug trade—former President Alfonso López Michelsen—is today once again the presidential candidate of Colombia's Liberal Party, and is likely to be elected to office.

The defenders of Global 2000 are proud of the work they and their allies have done in Colombia. Spokesmen for such Malthusian agencies as the Aspen Institute, the Brandt Commission, the Environmental Fund and others brag of their "quiet" successes in Colombia: they reduced the population with "no fuss" and no political resistance and they brainwashed the Catholic hierarchy into not only accepting a population policy but collaborating in its implementation.

Even with these successes, Dr. German Bravo, a demographer at the United Nations Fund for Population Affairs who in 1969 and 1970 helped "convince" the Catholic Church—with the help of Jesuit factions, who had penetrated the Church hierarchy—that Colombia "needed" a population policy, recently complained that the Church has "returned to the [pro-growth] position it held 20 years ago," and was now charging that population programs were part of an "international genocidal plot." Malthusian forces in Colombia are particularly fearful that elements in the Church hierarchy might ally with the pro-development faction of the Colombian Communist Party (PCC) in much the same way that certain Vatican forces informally collaborate with the Italian Communist Party.

A force of considerable influence within the organized labor movement, the PCC in recent years has led the fight against destruction of living standards and has denounced the World Bank by name. The potential for such an alliance is indicated by the fact that a Church-affiliated publishing house published the book *No Más Hijos (No More Children)* written by respected PCC economist Julio Silvacolmenares, exposing the role of the World Bank and private U.S. foundations in carrying out genocide in Colombia. To prevent this nascent alliance from developing any further, the faction of the military and political establishment linked to the drug trade has launched a campaign to implicate the PCC in acts of terrorism and "subversion," a pretext for jailing and killing many of its leading members.

## How the Colombian population was cut

by Cynthia Rush

Almost without exception, the advocates of global depopulation surveyed by *EIR* in recent months agree that the case of Colombia represents a stunning success for "their side." In little over 12 years, beginning in 1968, Colombia's population went from one of the fastest growing in Latin America to one of the most rapidly declining. And, say the neo-Malthusians, the most important part of this story is that it was all done very quietly. "We did it without too much noise," boasted Colombia's former Finance Minister Rodrigo Botero recently. "An understanding with the Church hierarchy was arrived at . . . and the [birth-control services] were just made available."

As much as the genocide lobby would like to leave the story at "the services were just made available," this is *not* how it was done in Colombia. Nor is the dramatic decline in population growth rate from 3.2 percent in 1968 to 1.9 percent today the result of greater urbanization, or more educational and job opportunities for Colombian women, as many population experts claim.

Colombia was depopulated through application of what Colombian economist Julio Silvacolmenares in his 1975 book *No Mas Hijos*, (*No More Children*) terms "preventive genocide": centering a development strategy around the goal of population reduction. Using Colombia as one of its earliest guinea pigs, the World Bank authored one "development" program after another for it which systematically dismantled or prevented the creation of industrial capacity, and slashed vital health, education, and transportation services to guarantee future debt repayment, while telling Colombians that reducing their numbers would accelerate the industrialization process and permit them a more comfortable future.

The comfortable future is non-existent. Categorized as a "middle-level" industrializing nation, Colombia today cannot sustain its population of 27 million people. As a result of World Bank policy:

- Colombia is a massive net exporter of marijuana and cocaine, industries that have flourished while Friedmanite austerity destroyed textile, steel, and other capi-

tal-intensive industries. Denied credits and inputs for productive employment in agriculture, hundreds of thousands of peasants have been forced into producing marijuana or coca.

- Colombia currently has one of the highest infant-mortality rates in Latin America—80 children per 1,000 live births die in the first year of life. Last year 150 children died daily from gastroenteritis and acute malnutrition.

- Sixty-four percent of children under the age of 5 suffer from acute malnutrition.

- An average of two hospital beds are available for every 1,000 inhabitants. Since 1974, hundreds of hospitals and health facilities have closed due to lack of funding. Over the past 15 years, the national health budget has dropped by 57 percent, and the country today has a shortage of doctors, as many leave the country to seek employment elsewhere.

### Breaking the Church

Since its first mission to Colombia—and to Latin America—in 1949, the World Bank had tried to "officialize" population policies, openly offering money, technical assistance, and advice. But it was only in the 1960s that it succeeded in getting governments to impose depopulation policies themselves, "without foreign intervention."

There was no lack of individuals willing to implement this policy inside Colombia. A vowed Malthusian Alberto Lleras Camargo, President from 1961-65 and a 1977 recipient of the Aspen Institute's "humanist statesman" award, testified before numerous U.S. congressional hearings in the mid-1960s on the need to *legislate* population control measures. His cousin, and the man who succeeded him as President, Carlos Lleras Restrepo, shared his views completely, as did his successor Misael Pastrana. But if their commitment were to be translated into policy, they first had to take on the Catholic Church whose doctrine of "grow and multiply" posed a formidable obstacle.

The man charged with "educating" the Church on the need for a population policy was German Bravo, today a member of the Evaluations Division of the United Nations Fund for Population Activities. As Director in 1969 of Colombia's National Planning Department's socio-demographic unit, Bravo formed a group of laymen and priests whose task was to "advise" the Church hierarchy on how to approach the sensitive population issue. In several months of weekly seminars in late 1969 and 1970, Bravo presented the bishops with "all information regarding social, economic and demographic conditions in the country," and alerted them to the way in which overpopulation acted as a "multiplier" of existing economic and social problems.

After five months, during which the medical and

social-scientist community were mobilized to build public support for a population policy, the plenary assembly of the Episcopate approved a document titled "La Iglesia Ante el Cambio" ("The Church in the Face of Change"), the population section of which was written by Bravo. It read in part:

The present economic, social, cultural, and spiritual situation of the country becomes worse given the demographic reality. . . . In such circumstances, the possibilities of obtaining integral human development are far and away from accompanying rapid population growth . . . married couples must have paternal responsibility . . . among couples this demands wise family planning according to the conditions indicated at the Council.

This was a far cry from the Episcopate's July 1967 warning that "every kind of indiscriminating campaign centered on anti-natalist propaganda and the diffusion of immoral methods must be rejected." According to one leading bishop in the present Church hierarchy, the brainwashing of the clergy was so complete that, by 1969, the Church had "no fundamental dispute with Malthusian arguments."

### A 'nationalist' policy?

Once the Church was broken, the next step was to incorporate the specific proposals for population reduction into the government's "global" development program. Carlos Lleras Restrepo, President from 1966-70, facilitated this process by granting the National Planning Department—the primary conduit for World Bank programs into the country—control over policy formulation and "planning" in every ministry. At the same time, Robert MacNamara and lending agencies like the Agency for International Development (AID) were blackmailing the country by making loans contingent on the adoption of population policy. They were so successful that at the 1969 meeting of the World Bank, Colombia's Finance Minister stood up and announced:

We are sure that . . . there are no reasons to suspect that the World Bank is trying to impose conditions of adoption of family planning which, given its character, must be a matter reserved to the autonomous decision of each state. A new linkage of this kind will not be acceptable.

The population policy adopted by the Colombian government in 1970 as part of its national-development plan was based on the recommendations made by the Rockefeller and Ford Foundations, the Population Council, International Planned Parenthood Federation (IPPF), AID, the Milbank Memorial Fund, and numerous other agencies which carried out studies in Colombia or financed the efforts of domestic groups.

- A 1965 seminar sponsored by Ascofame, the Colombian Association of Medical Schools, which discussed the application of coercive methods, the use of media to "condition" the population, and the offering of such incentives as free clinic visits for family-planning counseling and free services for extended periods beyond that.

- Studies by the Ford Foundation's Dr. Lyle Sanders in the mid-1960s promoting university studies in Colombia to elaborate specific birth-control methods. One such study, conducted by a team from Notre Dame University, involved interviews and census-taking in which the personal and economic problems of the couples interviewed were linked to their having too many children.

- A 1970 "technical assistance" mission of the Population Council to Colombia which recommended that the government authorize a quiet program of family planning which "under the banner of mother-infant care," and health programs would promote depopulation.

The population policy that was approved by the Colombian Congress in 1970 and subsequently incorporated into the development of the Pastrana administration (1970-1974), was also based on Dr. Bravo's observation that the "first efforts at industrializing the country made it clear that social welfare did not necessarily flow from economic growth, and that there was no automatic decline in fertility as a consequence of urbanization and industrialization." The program's explicit goals were "to achieve a territorial redistribution of population," and "to reduce the present rate of population growth." Territorial redistribution was intended to achieve "full employment of human and natural resources." In addition to plans for manipulating the national budget, fiscal and monetary policy, and funding for "regional development" to begin the process of de-urbanizing the country, the program also called for:

- reorienting migration streams away from urban areas;
- promotion of labor-intensive labor enterprises.
- achievement of significant reduction in the rate of population growth through decreasing fertility levels;
- creation of a new "mentality" which "could produce a more favorable climate for development." This was to be arrived at through a more "efficient" educational system which could "introduce themes pertaining to population, family and sex education, and utilizing existing programs to reach the adult population with similar ideas."
- relying on the Church to create "youth movements" and other activities aimed at keeping young people in school longer—and marrying later—and communicating the need for a population policy.

The Population Council's proposal for the establishment of a quiet family-planning program "under the banner of mother-infant care" has been aggressively implemented in Colombia. The population policy section of the López Michelsen administration's National Development Plan (1974-1978) was in fact written, published, and distributed by the Division of Medical Attention, Mother-Infant Care Group of the Health Ministry.

Aside from government-sponsored family planning and "health care" programs, most of them written by the World Bank and affiliated agencies, there is also an extensive network of private family-planning clinics that operate with generous foreign financing. Profamilia, the local affiliate of IPPF, began operating family-planning clinics in Colombia in 1967 and had established 31 of them by 1970. By 1972 it was estimated that 20 percent of women of child-bearing age had been educated on the virtues of population reduction at such clinics. Profamilia director Miguel Trias's public attacks on "perverse development, characterized by promotion of capital-intensive industry, a small and relatively well-paid labor force, and overprotected national industries" provides some idea of the nature of the "counseling" received there.

In 1968, President Carlos Lleras Restrepo proposed that the government adopt a series of "negative incentives" such as those later proposed by Population Council Director Bernard Berelsen in his 1972 study "Beyond Family Planning." These included elimination of family subsidies after two or more children; limiting government-assigned housing, scholarships, loans, and subsidies for families with more than two children; eliminating social benefits for maternity after two children; and permitting free education only to the first two or three children. Lleras didn't dare propose what Berelsen later did: government use of a sterilizing agent in water and food supply; "selling" permission to have children; obligatory abortion in all illegal pregnancies; payments with money or specie for sterilization; and a sex-education campaign that would teach primary school-children that "one child *only* is better" and teach teenagers the necessity of achieving sexual satisfaction through "masturbation, heterosexual and homosexual relations, petting, and available birth-control measures."

In 1972, it is unlikely that the Church or the population would have stood for such a program. But that such Chinese-style measures have been, and will continue to be, contemplated for Colombia is indicated by German Bravo's 1974 report that researchers were "studying" the relationships between fertility rates and variables such as family subsidies, taxes, housing, and *levels of consumption* in order to "transform them into programs and policies."

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## Documentation

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# Three views of the World Bank program

*The following are excerpts from the book No Más Hijos (No More Children), by Colombian economist Julio Silvacolmenares (Ediciones Paulinas, 1975). Subtitles have been added. Emphasis is in the original.*

Friedrich List, the famous German economist (1789-1846) who in his main work "National System of Political Economy" (1840) criticized and defined the colonialist policy of England as a means of perpetuating its political and economic domination and as a major obstacle to the development of other nations, felt that Malthusianism erred in taking the incipient development of productive forces at the moment as a measure of future production. . . . This same idea, with only slight variation, is held by the neo-Malthusians today. . . . List said that "one must have a very narrow view to take the present strength of productive forces as a measure of the number of men who can find subsistence in a determined space."

## World Bank imposes 'preventive genocide'

The principal instrument that has been used by U.S. imperialism to impose its demographic colonialism is the World Bank, assisted by certain international foundations . . . like the Population Reference Bureau, the International Planned Parenthood Federation, and the Population Council. . . .

Through these organizations and associations which covertly imposed the theory of *preventive genocide*, they have passed to . . . imposing it as government policy; witness the current National Development Plan of Colombia, in which can be seen the direct involvement of the Technical Aid Mission sent by the Population Council to Colombia in 1970. U.S. imperialism should be satisfied, now that it has achieved one of its principal goals: to force Latin American governments from a position of official intolerance to official initiative; that is, to directing with their own hands the preventive genocide of the Latin American people, so that imperialism could wash its hands. . . .

In the "Population Bulletin" edited by one of these world foundations [Population Reference Bureau—ed.], it is acknowledged that the World Bank had adopted its imperialist conception of "demographic explosion" beginning in 1949, but until the decade of the sixties had been unable to figure out how to "put the bell on the

cat,” that is, how to expand and make this preventive genocide official policy. . . .

In its 1949 study on Colombia, the World Bank warned that “population is in complete disequilibrium in relation to other factors.” . . . From that time onward their concern was how to take a country like Colombia and make it into a “guinea pig” for a development scheme based on population control. . . .

And while the U.S. senators and strategists struggled to come up with the ideas that would permit them to construct their anti-natalist strategy, there arrived a prominent Latin American who ironically had been honored by the poor and ignorant of his country as the man who brought them “democracy” . . . and he showed [the U.S. strategists] how to put the bell on the cat, a trick the World Bank had been seeking to learn since the fifties. That man was [Colombian ex-President] Alberto Lleras Camargo, who in a speech before a [U.S. Senate] subcommittee July 9, 1965, said among other things, “Latin America is feeding misery, revolutionary pressures, hunger and many other dangers potentially more disastrous than we can possibly imagine, even in this age of nuclear war. . . . The only path to solving these problems is population control. . . .”

We well know that the criteria on population expressed in the [Colombia] Development Plan . . . were designed by foreigners. . . . The Working Report of the Population Council in 1970 . . . explained the Trojan horse by which birth control was introduced: “Authorize a silent program of family planning under the rubric of maternal-infant care, orienting it in the right direction, but hiding its controversial demographic content under the appearance of more acceptable health purposes. . . .”

### ‘Scientific’ investigations

The first investigation on a national level was titled “Study on Children and Families” and was led by the U.S. University of Notre Dame . . . this was no simple investigation or procedure to gather statistics. . . . In reality it was an intensive course psychologically calculated to create in the parents it surveyed a prejudice against large families as *the supreme cause* of all family ills. . . . The second investigation . . . was also led by the University of Notre Dame and was conducted in several urban neighborhoods which were under the influence of the Catholic social service centers . . . [Analyst] Nicolás Buenaventura concludes his report on these investigations with the following observations. . . . “What they dealt with was that the U.S., through AID (the agency that funded these studies—J.S.) was seeking to establish direct ties with the Catholic entities of the country (Notre Dame is led by Jesuits—J.S.) in the hope of forcing the issue, putting the Church before a fait accompli and thus breaking the “doctrinaire resistance”

to birth control. . . .”

We cannot ignore the admonition of Pope Paul VI when he said that “We are aware of the serious difficulties the Public Powers face in this respect [population pressures]. It is to their legitimate concerns that we have dedicated our encyclical *Populorum Progressio*. And with our predecessor, John XXIII, we continue to say: ‘These difficulties will not be overcome with resorting to methods and means which are unworthy of man. . . . The true solution can only be found in economic development and social progress, which respect and promote the true human values, individual and social.’ ”

*Former Colombian President Alberto Lleras Camargo made the following remarks to the First Pan-American Assembly on Population, in Cali, Colombia, August 1965.*

There is no indication that the growing population in the industrial countries is going to enjoy a very comfortable life, quite aside from the fact that it will be living under a virtual state of siege by hordes of overpopulated, restive, half-civilized nations in the developing regions. . . .

When the global population attained 1 billion . . . a Protestant clergyman, Thomas Robert Malthus, published a book entitled *An Essay on the Principle of Population*. This study was prophetic. But . . . the Malthusian thesis was distorted and maliciously oversimplified. For this reason it is still wreaking havoc and is inhibiting today’s students of the problem.

[Malthus’s] theory held that mankind, far from increasing without limit, would prudently reduce its fertility as technical progress . . . and the new ways of life of the industrial society would . . . exert restraining effects on population growth. But then came the revolution of chemicals and antibiotics which had their greatest impact in the backward regions of the world. . . . The first consequence was that it slowed the progress of those nations toward industrialization. . . .

Under the pressures of overpopulation and growing unemployment in the rural areas—a problem accentuated by the beginnings of agricultural mechanization—millions of men and women have been migrating from the countryside to the cities. . . . The migrants crowd together outside the workers’ suburbs, and within just a few hours they build the unbelievable slums which have ruined and blackened the image of Latin American cities. . . . One might even compare them to the filthy agglomerations of humanity which in medieval times sought shelter by huddling against the walls of castles. . . .

It is not my place to say what measures are best suited to advance the only solution that is available: the orderly

and controlled reduction of the birth rate. . . .

Some people are dreaming up schemes of how scientific and technical advances might enable mankind to expand at an even higher rate than today's and how these masses of people could find homes in currently uninhabited stretches of Latin America. . . . Future technological advances will be beyond our reach, just as our farmers today have failed to master the techniques of United States agriculture.

*Dr. Rodrigo Botero Montoya, former Finance Minister of Colombia (1974-76) and member of the Aspen Institute and Brandt Commission, made the following remarks to an American journalist on Oct. 19, 1981:*

**Q:** What is your assessment of how the population issue will be treated at the North-South conference in Cancún, and what is the role of the Brandt Commission on this issue?

**A:** I'm sure you've seen the Brandt report . . . there is a chapter there on the points we make on the population question and the more or less obvious observation that it is going to be difficult to defeat poverty worldwide unless something is done about the population issue. . . . Also accepting the understanding that this is something that is much more amenable to internal, domestic politics—that is, to policy decisions that are taken *autonomously*, rather than something that is recommended or pushed across international frontiers because of the sensitivity of the question.

What I have seen, again reflecting on the Colombian experience, is that instead of launching a massive campaign to say that we're going to bring down the birth rate, you go about improving the status of women, improving job opportunities for women and doing all kinds of indirect things . . . these have a very large repercussion on the birth rate without the political flak from addressing the thing head-on.

**Q:** What about the role of the Catholic Church in Colombia; wasn't it an obstacle to population policies?

**A:** Well, the way the thing was done was without making too much noise. The services just quietly became available. The thing did not become a hot political issue. More or less an understanding with the Church hierarchy was arrived at. The hierarchy saved face, the services were made available, and nothing too much was said about it. So that the government has in no case come out, say as in India, saying that anyone that gets a sterilization has a free transistor or whatever. The government has spoken very little about this . . . it's made no pronouncements. The services have just become available. . . .

As far as handing this issue internationally, my recommendation is to exercise enormous caution, and if possible *not bring it up publicly*.

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## *Agricultural Case Study*

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# Dope, Inc. destroyed the cotton industry

by Carlos Cota Meza in Bogota and  
Valerie Rush in New York

A recent series of reports in the Colombian press on the crushing bankruptcy of that country's once substantial cotton industry has focused on "human interest" stories about the 15 major growers from the province of Cesar whose financial dissolution drove them to suicide. What the press reports have ignored is the fact that the "white agony"—as the cotton crisis in Colombia is called—is the result of a conscious policy of sabotage begun under the López Michelsen administration of 1974-78 for one exclusive purpose: to eliminate a viable and productive sector of the economy, and to free up land and labor for the far more lucrative cultivation of marijuana and coca.

The history of the so-called cotton crisis is as follows.

In 1977, the Colombian cotton industry was facing its best prospects ever. On the Atlantic Coast, 283,015 hectares had been sown with cotton, while the departments of Meta, Huila, Tolima, Valle del Cauca, and Cundinamarca combined added another 115,000 hectares—a total cultivation area not reached before 1977 nor since. Nearly 500,000 people were either directly or indirectly involved in cotton cultivation.

The marijuana industry had already captured the barren northeastern province of the Guajira Peninsula and stretches of land along the Atlantic Coast, and had sopped up at least 100,000 of the seasonal workers who traditionally survived on subsistence wages across the border in Venezuela. If "narcodollars" were going to continue to swell Colombia's reserves, the marijuana growers would need more land and more hands to work it. President López Michelsen decided to provide both.

Colombia's unexpected 1975-76 "coffee bonanza" had flooded the country with literally billions of dollars which, combined with growing monies from the dope trade, threatened to seriously unbalance Colombia's fragile monetary situation. The López administration



used this danger of hyperinflation to insist that the country could not tolerate another such "bonanza," and that the government therefore had to crush the unprecedented cotton harvest. It took the following measures against the growers:

- The Health Ministry banned the import and use of the insecticide Clordimeform, despite its approval for use worldwide, including U.S. Department of Agriculture approval. The insecticide had been singularly effective in controlling the parasite heliothis, and its prohibition guaranteed the loss of more than 50 percent of the cotton crop.

- The Finance Ministry ordered the reduction of the government export subsidy known as the CAT (*certificado de abono tributario*) from 12 percent to 1 percent, virtually eliminating the cotton producers' sole subsidy.

- Cotton exports were included in the government's temporary "exchange control" mechanism—exchange certificates (*certificados de cambio*)—whereby payments for exports were either frozen by the government for up to six months at full value, or paid out to the exporter, but with a 15 percent discount of face value.

- The government's supreme monetary authority (Junta Monetaria) ordered an increase in prior import deposits on necessary inputs, while simultaneously reducing the deadline for payment on imports from 180 to 120 days, putting an intolerable squeeze on the growers' cash flow.

Without cash, credit, insecticides, and needed inputs, the cotton crop went under. The Agriculture Ministry estimated the losses of the 1977-78 cotton harvest at 3.8 billion pesos out of the original expected harvest value of 10.3 billion pesos. The growers, however, estimated a loss of closer to 5.3 billion pesos. Unable to meet their debts with only half the anticipated income, the growers called on the López government to provide them with refinancing at a minimum of five years at 10 percent interest. They also asked that the first two years require payment of interest alone, leaving amortization of the principal to the last three years. The government's response was to demand full payment within two years.

As expected, cotton cultivation following the 1977 disaster was considerably less than even the 50 percent harvested that year. The severe refinancing terms offered by the López government succeeded in enmiring the cotton industry in a grave debt situation from which it has been unable to extricate itself. Today those growers have paid out more in interest and principal than the full debt contracted in 1978, and have yet to pay off their loans. Those growers who have not sold their lands to the marijuana mafias—or taken their lives in despair—have nonetheless been broken economically and psychologically. This year, scarcely 50,000 hectares will be sown with cotton, compared to the 400,000 sown in 1977. The cotton growers now stand as a living testimony to the

"successes" of López Michelsen's service to the international dope trade.

### Friedmanism and drugs

Publicly, the López administration argued that a "hyperinflationary explosion" due to "excessive" foreign exchange income could only be averted by such strict monetarist measures as credit restriction and exchange regulation. And yet it was public knowledge that the "Chicago boys" who advised the López administration through his University of Chicago-trained Finance Minister Rodrigo Botero Montoya did everything in their power to facilitate the flow of millions and ultimately billions in "dirty money" into the central bank.

Exemplary was Botero's creation of the infamous "sinister window" (*ventanilla siniestra*) at the central bank, through which millions of dollars of undeclared origin were accepted—no questions asked. In 1974, the "sinister window" was taking in a mere \$48 million. By 1978, it was monetizing drug dollars at a publicly acknowledged rate of nearly \$500 million a year. In 1980, "non-traditional" foreign exchange (as the drug money is euphemistically called) that was entering the central bank through the sinister window was unofficially estimated at \$1.23 billion and growing.

It was also during this period that López Michelsen responded to U.S. pressures to take a more active role in fighting drugs by insisting that the drug problem—and therefore its solution—belonged to the United States alone. "[Drug traffic] would never have acquired its actual dimensions if a permanent number of consumers did not exist in the United States who supply large international chains with financing that have their origin only in the very same United States," he stated in February 1978. He was not accidentally echoing what had already become a familiar argument for drug legalization in Colombia. During the previous year, such notables as Bank of Bogotá President Jorge Mejía Salazar and leading coffee magnate Leonidas Londoño Londoño had argued that Colombia should have just taken the money and run, letting the U.S. solve its own problems. Said Mejía in June of 1977: "Drug trafficking is one thing, but the good thing is that \$1.5 billion comes into the country." López's current presidential campaign manager, drug legalization spokesman Ernesto Samper Pizano, has since made the idea explicit. In a roundtable discussion on drugs earlier this year, Samper argued for legalization: "What to do about the trafficking? Man, this isn't our problem, that's the U.S.'s problem."

As an integral part of his service to the dope trade, López Michelsen undertook to squeeze not just the cotton industry (which in turn helped collapse the country's leading industry, textiles), but the entire Co-

Colombian agricultural sector. In 1976, López launched his Integrated Rural Development plan (DRI—Desarrollo Rural Integrado) with much fanfare. And yet in the primary departments where food cultivation took place—Antioquia, Boyacá, Nariño, Santander, Cauca, Cundinamarca, Córdoba and Sucre—a five-year credit was offered by the government to the tune of a mere \$276 million dollars. According to the World Bank-staffed Planning Department of Colombia, which wrote the DRI, 83,000 peasants were to benefit from the DRI, although the DRI budget was admitted to be totally inadequate to meet even that goal.

The Agrarian Bank (Caja Agraria), which has historically channeled credit to food producers and which was charged with distribution of the DRI credits, reported deficits throughout the four years of the López administration. The Caja Agraria's function today has degenerated to providing loans to marijuana and coca growers. According to the deputy attorney general of Colombia, Jorge Penén, "We have discovered farms where coca is being cultivated with money lent by the Caja Agraria to grow cocoa."

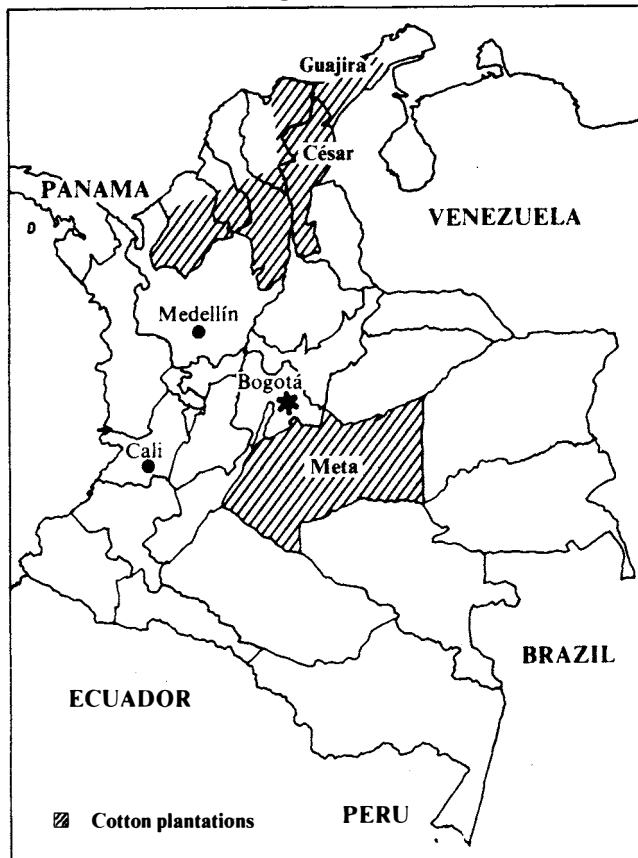
As a result of these policies, nearly a half million farm workers and their families have become "vagabond labor." According to the governor of Cesar, "the region is on the verge of falling into the hands of

bandits . . . and all of us are terrified of being killed." The Society of Economists reports that crimes against property have increased from a registered 41 million pesos in 1978 to 146 million pesos in 1980. Nearly all productive industry in the region has fled, including Caterpillar, Gaseosas Hipinto, Almacénar, and Promagra. Almacenes Ley, a leading food warehouse chain, has been a constant victim of thefts.

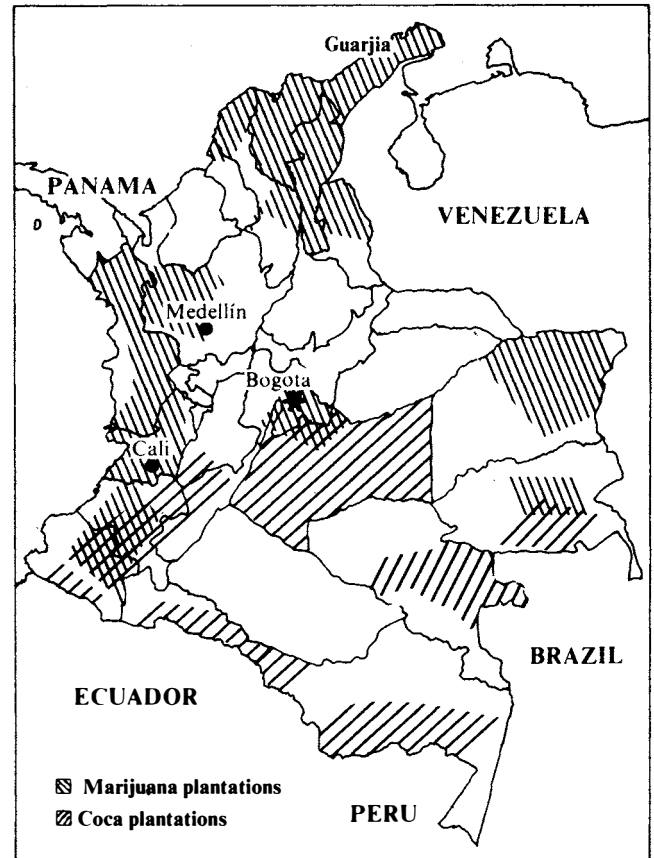
As can be seen by the accompanying maps, the Atlantic Coast region and the former cotton-growing center of Meta, are now the foremost producers of marijuana and coca respectively. In the past year or two, the "Wallenstein's army" of unemployed produced by the cotton crisis and economic collapse have fed the drug cultivation industry across the country.

López Michelsen's presidential re-election ambitions leave little doubt as to what his second term would do to Colombia. López has premised his electoral platform on promoting "federalism" in Colombia: that is, decentralizing responsibility for tax collection, employment generation, budgeting and administration, and handing it over to Colombia's individual departments. Bankrupt regions like the Guajira, Cesar, the Amazon departments and the south would hardly have to think twice about where the cash for operating expenses would come from.

**Cotton cultivation regions**



**Coca and marijuana cultivation regions (estimate)**





## Behind the assassination attempt on Helga Zepp-LaRouche

*The following statement was released by the National Democratic Policy Committee on Nov. 8.*

The role of friends of Detroit's Max Fisher in a covert operation of the American drug lobby dirty tricks division, has provoked increased interest here in learning the facts of a recently attempted "Mafia-style" assassination of Mrs. Helga Zepp-LaRouche in West Germany.

Many prominent and other Americans met Mrs. Zepp-LaRouche during her husband's 1979-1980 campaign for the Democratic presidential nomination. Numerous persons have asked the New York office of the National Democratic Policy Committee to transmit best wishes for her early recovery from effects of the attempt.

### **The 'Mafia-style' attack**

The bare facts of the attempted assassination are reported from West German security sources as follows:

On Sept. 22, 1981, at approximately 11:30 a.m., Mrs. Helga Zepp-LaRouche was travelling northward along West German superhighway number 66, near Mendig. Fortunately, she was travelling with her personal security detail in a vehicle operated by a specialist who has received extensive training by some highest qualified private anti-terrorist agencies from army circles in variously the United States and the Federal Republic of Germany.

The highway traffic was relatively light. Immediately prior to the attempted "Mafia-style" vehicular homicide Mrs. Zepp-LaRouche's vehicle was travelling at passenger traffic stream speed in the third, outer lane. The assailant vehicle was travelling at a much slower than passenger vehicle stream speed in the first lane.

The assailant truck was owned by the West German firm Koch, and was operated, according to police verification, by one Hartmut Klemp, a person who intelligence sources reported as relatively recently emigrated from Eastern Europe, the latter a significant fact in any such criminal cases.

Prior to the attempt, the slower-moving perpetrator was some distance ahead of the passenger vehicle carrying Mrs. Zepp-LaRouche and members of her security detail.

As the LaRouche vehicle turned into the middle lane of the highway, to avoid a highway cleaning obstruction in the third, outer lane, the perpetrator moved his truck without warning into the middle lane immediately ahead of the LaRouche vehicle.

This was only the first of two actions by the driver which caused several security specialists reviewing the matter independently of one another to classify the "accident" as an attempted homicide.

There was no possible passing-condition in front of the driver of the perpetrating vehicle to cause movement into the outer third lane of the highway, once the brief obstruction in the third lane had been passed.

After the driver of the truck had forced a collision of Mrs. LaRouche's vehicle with the wheels of two axles of his rig, the driver continued to move into the third, outer lane, attempting to force the LaRouche vehicle off the highway.

Fortunately, the trained driver of the LaRouche vehicle maintained full control of the passenger-vehicle throughout this series of events, and at the point of collision accelerated the passenger vehicle rapidly to move ahead of the truck.

Immediately following these events, as the LaRouche vehicle and a following security party's vehicle came to a halt on the parking strip of the superhighway, the assailant truck and other witnesses came to a halt in the vicinity of the assaulted vehicle. (However, the truck which had been following the perpetrator, an automobile-transport trailer rig, moved quickly away after halting briefly.)

There were no injuries to anyone but Mrs. LaRouche, who suffered unusually severe whip-lash injuries to her neck and spine, as subsequent, repeated X-rays have shown the degree of these injuries.

During interrogations by police, the perpetrator admitted his first movement, into the middle lane, was a deliberate cutting off of the LaRouche vehicle, but professed not to have noticed the collision accompanying his subsequent movement into the third outer lane.

The proof of the perpetrator's lying on his latter point is conclusive. The damage to the right-side of the LaRouche vehicle is caused entirely by rotating action of the wheels of two adjoining axles of the truck. The continued movement by the driver into the third, outer lane under such conditions represents clear intent to perpetrate vehicular homicide.

The events as reported were corroborated independently by occupants of the second vehicle of the LaRouche party and by other witnesses who stopped to give evidence to police. Only the special training of the driver prevented the probable death of some or all of the passengers in the assaulted vehicle.

### **Circumstances of the attempted homicide**

Security experts independently of one another emphasized that to arrange a deliberate homicide of this sort requires coordination including significant preparatory surveillance and special coordination during the period of the attack.

The truck would have to receive a signal, for example, informing it when to begin its part of the maneuver on the basis of information that the targeted party was on the route to the vicinity where the highway obstruction being used was located. A pattern of such heavy surveillance by agents of the drug lobby's network had existed, with special interest in the targeted vehicle, for a period of weeks preceding the crime.

During the period and following the crime, there has been a massive covert operation targeting Mrs. Zepp-LaRouche and her associates in West Germany. Most of the known such covert operations have been traced to drug-lobby circles inside the United States, including the Washington, D.C.-based International Writers Service. The hottest point of such drug lobby-linked covert operations prior to the crime was the area of Stuttgart, West Germany, a key point of such truck movement of drugs from Verona and the Bolzano area,

through Switzerland, into the Stuttgart point. Both U.S.-linked drug-lobby interests and contacts of drug-lobby interests interlinked with Maurice Davis of Westchester County, New York, have been positively established as implicated in some of these covert operations in such areas of West Germany as Stuttgart, Hannover and the state of North Rhine Westphalia.

All the known physical harassment and "black propaganda" activities through news media and influential political and business circles in West Germany over the recent period has been traced to U.S. drug-lobby sources, including verified cases of identities of persons detected in suspicious forms of surveillance of the targeted vehicle.

This attack coincides in time with known drug-lobby-linked covert operations in Detroit, Chicago, Boston, Houston and Atlanta during the same weeks the attack in West Germany occurred. Moreover, all recent covert operations against Mrs. LaRouche and her associates in Europe are tightly correlated with new phases of drug-lobby conducted special covert operations inside the United States.

### **The British intelligence involvement**

However, according to recently published and other statements by relatively high-level officials of British Secret Intelligence Services in Europe, it is they who are targeting Lyndon H. LaRouche, Jr. and LaRouche's associates, charging exposure of Muslim Brotherhood and London-connected drug traffic in the Middle East and Pakistan has destroyed a large part of the British SIS Arab Bureau's capability in the region. British intelligence spokesmen asserted to undercover investigators that the credibility of LaRouche's intelligence has zoomed among high levels of various governments, especially since interrogations conducted by several Arab governments in cooperation with Egypt following the assassination of Anwar Sadat. The recent Arab snubs of Britain's Foreign Minister Lord Carrington, in favor of closer cooperation with the Reagan White House, are blamed in part on LaRouche's zooming credibility among both some Arab and non-Arab governments.

British intelligence circles have also insisted, in print (*New Scientist*, Oct. 22, 1981) and privately to undercover operatives, that LaRouche's organization is doing serious damage to the genocidalist organization of the P-2 linked Aurelio Peccei, the Club of Rome. To Arabs, British intelligence officials are insisting that LaRouche is working not only for United States' special interests in the Arab sector, but also that LaRouche is collaborating closely with "liberal Zionist" circles, signifying the Israeli and Zionist opponents of Begin and Sharon.

Mrs. Helga Zepp-LaRouche has been hated openly by the Club of Rome with special hatred since 1974,

when she seriously damaged the work of the Club of Rome and its Moscow allies by confronting the late John D. Rockefeller with the charge of genocide on the floor of the Bucharest conference of the Club of Rome.

Although this faction of British intelligence hates the organization of LaRouche and his associates, their classification of LaRouche as having become a "powerful danger" to their interests is based on the international influence of LaRouche and his associates in publishing results of investigations, especially the zooming influence of the *Executive Intelligence Review* internationally. Covert operations run through the drug-lobby and Max Fisher circles in Detroit and elsewhere attack LaRouche's associates organizationally, but the object of British intelligence's deployment of the attack through such assets is an effort to eliminate LaRouche and the work of *Executive Intelligence Review*.

The actions of circles around Mrs. Pamela (Churchill) Harriman, the mother of Winston Churchill III, within the Democratic Party, is a reflection of this same hysteria-pitched hatred of LaRouche among those behind the Central American bloodbath and the British effort, in cooperation with the Suslov-Ponomarev faction in Moscow, to throw the United States out of Africa and the Middle East.

### **The Max Fisher connection**

There is a direct relationship between Max Fisher's and Alexander Haig's efforts to kill the U.S. sale of AWACS to Saudi Arabia, and the involvement of family and other connections of Max Fisher in a very dirty covert operation conducted against LaRouche's associates inside the United States.

This latter covert operation was set into operation by the Carter administration beginning in 1977, and was escalated beginning the summer of 1979. The present phase of this covert operation was set into motion by Carter Attorney General Benjamin Civiletti, through establishment of the OSI (Office of Special Investigations) and cooption of the Fact-Finding Division of the Anti-Defamation League as agents of the OSI for this and other covert operations run against opposition to the Trilateral Mr. Jimmy Carter within the Democratic Party. The Civiletti operations against LaRouche et al. run through channels including the ADL's Fact-Finding ("dirty tricks") Division, were based heavily on complicity from pro-terrorist and drug-lobby elements, including "wise guy" elements politically allied to the drug lobby and generally professed admirers of Max Fisher.

It is this operation, interlinked and cooperating with Propaganda Two Freemasonic-Lodge elements in Italy, which saturated the environment with covert operations against Mrs. Helga Zepp-LaRouche and her associates during and following the period of the attempted assassina-

tion. As arrests earlier this year have shown, it was Alexander Haig's Italian supporters among circles linked to the Propaganda Two Freemasonic Lodge in Italy which controlled the Verona-Bolzano side of the Golden Crescent drug-traffic by truck through Switzerland and into Stuttgart. It is Italian Mafia elements which are the prominent feature of the local drug-traffic in the Stuttgart area. Those Mafia connections in Italy have direct links to drug-linked "families" inside the United States.

Fisher has other reasons for hating LaRouche. Both Mr. and Mrs. LaRouche are known friends of Mexico, whereas Max Fisher's corporate links are to forces presently committed to genocide and the "Iranization" of Mexico (e.g., William Paddock, George Ball, the anti-Vatican Father Theodore Hesburgh of Notre Dame University).

The United Brands Co./Sol Linowitz/Charter Oil/Houston, Texas connection is key to the left-wing guerrilla operation logistically in the Central American region. (It is these United Brands-Perminindex circles which provided Fidel Castro with the original Granma and are linked corporately to Soviet "special friend," Charter Oil-linked Armand Hammer.) The Jamaica-based drug-operation, and the British intelligence complex linked to Perminindex, and to Houston at the Tryall Compound in Jamaica are important elements to all Caribbean operations against the United States' interests over recent decades. This crowd intersects corporately and politically the de Menil-Schlumberger Russian Orthodox Church interests of Houston, a principal backer of France's President François Mitterrand over the years, and the sponsor of the recent Rothko Chapel atrocity featuring plans for "Iranization" of both Egypt and Saudi Arabia.

The corporate history of the United Brands (United Fruit) entity, back to roots in the British East India subversion of the United States via the New England secessionists, removes any mystery concerning the British intelligence connections through corporate influence in this matter.

If Benjamin Civiletti had not engaged in a massive cover-up in the Billy Carter investigation, or if the Reagan administration would reverse that cover-up today, the most massive, dirtiest scandal of the 20th century would be transmitted to public knowledge through open court proceedings, and the true reasons for the Abscam-Brilab operations would then be known to most citizens.

Meanwhile, Mrs. LaRouche is recovering slowly from the effects of the attempted assassination, and yesterday delivered a major public presentation on the roots of the *Laborem Exercens* encyclical of Pope John Paul II in the preceding work of St. Augustine and the great 15th-century Cardinal, Nicholas of Cusa.

## **Sudan, the IMF, and the Iceberg Prince**

*The country's development plans have been undercut since the outset and the enemy is going for the kill.*

**T**he most recent imposition of harsh IMF conditionalities against Sudan is an important part of a broader plan to isolate and undermine Egypt. The wrecking of Sudan, Egypt's closest regional ally, would set up Egypt for destruction by the Islamic fundamentalists. President Sadat was trying to stave off before his assassination.

The IMF, however, is not the only player, but it is moving in at the final stages of the operation to finish off Sudan. How did the biggest country in Africa (as large as Western Europe), which is potentially a vast breadbasket, get into the balance of payments difficulties that opened the door for the IMF to dictate the destruction of the country? The fact that the attempt in the 1970s to develop the Sudan was largely in the hands of British Intelligence's Muslim Brotherhood forces helps answer that question.

Sudan has around 200 million feddans (1 feddan = 1.039 acres) of arable land which either receive adequate rainfall for cultivation or is accessible to irrigation water. As of 1977, only about 8 percent of the total, was under cultivation.

The rapid and profitable expansion of agriculture in Sudan in the 1960s and 1970s demonstrated that it was perfectly feasible to turn Sudan into a breadbasket. The desire for a secure Arab source of food after the 1973 war, which sparked talk of retaliatory food boycotts, served to launch the project. The

Arab Authority for Investment and Agricultural Development was set up to design and finance the development of all large-scale agricultural and livestock production in Sudan's rainfed area, as well as some of the irrigation schemes.

In 1976 the Authority announced plans to finance 100 projects totaling \$6 billion. The largest of the schemes, 1.2 million feddans, was leased to Saudi Prince Mohammad al-Faisal, the "Iceberg Prince" who had earlier taken up the idea of towing icebergs from Antarctica to Saudi Arabia to supply fresh water.

Prince Mohammad is also infamous as a supporter of Khomeini. He attended the recent Muslim Brotherhood Conference at the Rothko Chapel in Houston, Texas, where the overthrow of the Saudi royal family was the number-one item on the agenda. At the conference, he stated that there was no room for nation-states in his thinking about the Mideast.

Through such Saudi connections came most of the money and policy for the Authority. Not surprisingly, Sudan did not develop. By mid-1981, only \$15 million had been spent in Sudan, mostly for studies and consulting. However, the Sudanese government oriented its infrastructural development and currency allocation to the operations of the Authority in an attempt to woo capital from the prince.

Sudan acquired a large short-term debt in its futile attempt to

attract petrodollars. At the same time, existing agricultural production suffered from those reallocations, further exacerbating the balance-of-payments problem.

An IMF delegation visited Sudan in late October, demanding additional cutbacks and austerity before the IMF would grant the third installment of a loan negotiated two years ago. Bearing the highest debt payments in Africa, and faced with losing all access to international credit and therefore being forced to conduct international trade on a cash basis, President Gaafar Numeiry capitulated. He has since sacked his entire cabinet and announced that government subsidies on many consumer goods will be eliminated. He also announced a devaluation of the Sudanese pound by 12.5 percent.

These moves will wrench Numeiry's efforts to reconcile the regional and ideological groups within Sudan. Numeiry had successfully ended a long civil war with the south and made his peace with other opponents involved in a 1976 Qaddafi-backed coup attempt.

The initial IMF conditionalities imposed two years ago forced Numeiry to cancel the economic development programs on which his political reconciliation strategy was based, generating the present widespread unrest.

Numeiry's problem is complicated by the Muslim Brotherhood, which is very strong in Sudan. One source reports, "The Muslim Brotherhood is very unhappy with Numeiry, and there are enough forces there to set a convenient pretext for getting rid of Numeiry." Another source reports an assassination capability in place targeting Numeiry, with Qaddafi money.

## How bad is the Pemex cash problem?

*Pemex has a payments bind, but it's not as bad or long-term as some people are saying.*

**P**emex is often described as the "motor" of Mexico's rapid economic growth of the past four years. Is the motor failing?

There is no question that Pemex's revenues plummeted during the June-July tug of war with the multis over price. At least 40 percent of Mexico's contracts were cancelled during those two months, dropping exports below the 1 million barrels per day (bpd) figure.

The fall-out actually began with some quiet contract cancellations in April. And it was well into the fall before Pemex director Julio Rodolfo Moctezuma Cid was able to announce that the desired "platform" of exports in the 1.5 million bpd range had been re-established.

For those of you who thought that the revival of exports starting in August and the expansion of Pemex's Bank of America-led acceptance facility to \$4 billion in the same period plus a \$700 million acceptance facility with the British) had turned the situation around, the news is not good. In a recent informal survey I conducted with a half dozen well-informed sources who either do business directly with Pemex or know others who do, the following picture emerged: Pemex is so far behind on payments that a number of supplier firms are close to bankruptcy.

Several foreign drilling companies with offices in Mexico are reportedly packing up. A firm producing oil equipment in Mexico,

whose head office is in Houston, reports their new plant is practically idle, workers are beginning to be laid off, and another few months of stagnation will mean bankruptcy.

These sources report that Pemex has not only drastically cut back on the oil technology it is buying abroad, but has put obstacles in the way of those domestic manufacturers who need to import capital goods to produce the same equipment at home.

Due to this, I am told, there is a process of "cannibalization" going on—firms are virtually stealing scarce technology from one another to fulfill contracts, and in some cases are pressing into use antiquated machinery that was slated for retirement. But, in context, the current payments crisis is the playing out of the May-August interruption in revenues, not any new difficulty.

The climb back has been slow but steady. Recent statistics taken as reliable by international analysts show total production climbing from July's low of 2.1 million bpd, to 2.26 in August and 2.48 in September. The September export figure rose to 1.26 million bpd, up 26 percent from August. October's figures are expected to show exports topping 1.4 million bpd, as announced by Moctezuma Cid.

At the same time the next big Pemex development focus, the Chicontepec Project, is being kept front burner. President López Por-

tillo announced on Nov. 6 the formation of a special inter-departmental committee, five cabinet secretaries and the Pemex director, to oversee the first phase of the project, planned to involve \$40 billion in investment over a 20-year period.

It was simultaneously announced that the original focus on combined agricultural, ranching and oil development has been expanded to include a new major industrial port, Tuxpan.

And new oil finds are being announced which augur well for the future. These include the first light crude discoveries in the prolific Campeche Gulf and further discoveries on the West Coast.

The real question is whether the international oil markets are sufficiently weak to allow a re-run of last summer's collapse—which was not a randomly targeted affair, as *EIR* readers are aware. A *Business Week* article of Nov. 9 claimed, "Another political uproar could be in the making. In recent weeks, high prices have prompted Exxon, Ashland Oil, and other buyers to cut purchases again. . . . One U.S. oil company president maintains that Mexico's heavy Maya crude is overpriced by \$3 per barrel, and that its Isthmus light is \$1 too high."

Leading international analysts, however, tell me that the *Business Week* article is psychological warfare. The markets are stable, if not expanding, and with the recent unified OPEC pricing decision, Mexico's increase of \$1 per barrel in the price of its light crude, announced the last week of October, should hold without problems. The price of that light crude is now \$35 per barrel, the Mayan heavy, \$28 per barrel, and no major interruptions are in sight.

# International Intelligence

## ***Mitterrand to rule economy by decree***

The French Socialist government of François Mitterrand has taken the first steps toward rule by decree, on the economic front.

The Council of Ministers has approved a draft bill to be submitted to parliament—in which the Socialists have a single-party majority—which would enable the government to bypass the legislature in order to implement the essential features of its zero-growth economic program.

Prime Minister Pierre Mauroy already made the threat some weeks ago that, in order to make certain that the Socialist reforms move “fast,” such a request might be put to parliament. The measures the government will be seeking to implement include lowering the retirement age, reducing the work week, providing a fifth week of paid vacations per year, and enforcing work-sharing “solidarity” contracts on private business, in order to spread around a shrinking number of jobs.

## ***Two Soviets to join Club of Rome board***

Two leading members of the KGB-linked faction within the Soviet leadership have been placed on the elite rostrum of the Club of Rome, an organization dedicated to the genocidal reduction of the world's population and the establishment of a Malthusian world order.

An internal newsletter, a private communication from Club of Rome founder Aurelio Peccei dated July 28, announces that the Club's executive committee has decided to invite Soviet Academicians Dzhermen Gvishiani and Evgeni Federov to join the Club of Rome's 100-person “international rostrum.” Other Club of Rome sources confirm that both Soviets have indeed officially joined their leadership.

Both Gvishiani and Federov have long been covert collaborators of Peccei and his Club. In an interview earlier this year with *EIR*, Club of Rome co-founder Alexander King identified collaboration between Gvishiani and the Club of Rome's leadership dating back to the Club's founding in 1969. Gvishiani, the son-in-law of the late Soviet Deputy Premier Alexei Kosygin, is the co-director of the U.S.S.R. State Committee on Science and Technology and also co-director of the International Institute of Applied Systems Analysis (IIASA) in Vienna, a key conduit for anti-growth ideas into both East and West.

## ***Mrs. Gandhi tours Europe, stresses war danger***

Indian Prime Minister Indira Gandhi has just returned from a European tour, including stops in Bulgaria, Italy (where she met the Pope), and France. The main theme of her trip was the danger of war, with special focus on the militarization of the Indian subcontinent and the increased danger of war stemming from the U.S. arms sales to the Zia regime in Pakistan. One Indian observer compared her tour to the situation before the 1971 India-Pakistan war over Bangladesh, when Mrs. Gandhi made numerous trips warning of the war danger. Mrs. Gandhi is quoted in the French press warning in a Paris speech that: “Our region has been militarized in dimensions out of proportion to our security and to the well-being of the peoples of the region.”

Causing particular concern is the situation in Bangladesh, which held presidential elections in mid-November to replace the assassinated President Ziaur Rahman. Sattar, the political successor to Rahman, claimed a massive victory, but the opposition parties, particularly the major opposition, the Awami League of Bangladesh founder President Mujib (assassinated in a Kissinger coup in 1975), is charging massive fraud and calling for demonstrations. The election campaign was marred by the open threat

of the army (the force behind Sattar, which is now dominated by pro-Pakistan, pro-China and anti-India elements) to stage a coup if the opposition won the election. Indian sources fear a post-election rise in propaganda and moves against India by the regime, amidst possible conditions of chaos within the country, making Bangladesh a potential point of major crisis in the region.

## ***Italy's P-2 scandal hits Craxi associate***

The Propaganda-2 Freemasonic scandal which shook Italy this spring has erupted again against Socialist Party chief Bettino Craxi. With the help of Alexander Haig, himself implicated in the P-2 case, Craxi had quashed the scandal, which exposed P-2 involvement in terrorism, subversion, and drug financing.

On Nov. 13, Judge Imposimato of Rome delivered an official communication to Craxi's closest collaborator, P-2 member and Socialist Senator Antonio Landolfi, notifying him of judicial investigations into his ties to *Metropoli* magazine. Imposimato further specified that the senator's connection with an “armed gang” of terrorists was being investigated. This is the first time in the history of the modern Italian republic that a senator has come under official scrutiny for terrorist activity.

*Metropoli* had already been proven to be the central control point for the most notorious Italian terrorists, including the infamous Red Brigades who in 1978 killed former Prime Minister Moro. *Metropoli* was run by Franco Piperno, professor at the University of Padua and others arrested in 1979 for directing the cited 1978 assassination.

Police searched the house of a second Socialist P-2 member, President of the Liguria region, Teardo, on Nov. 13 as well. According to the newspaper *L'Unità*, the search was part of a broader operating involving investigations into the dirty dealings of the Banco Ambrosiano whose President, Roberto Calvi,



has already undergone trial for his dirty-money laundering in behalf of his Masonic lodge, the P-2.

Also on Nov. 13 a third Socialist was dealt a political blow—Federico Mancini, Craxi's candidate for the presidency of Italy's Constitutional Court, the nation's highest. Craxi had pushed the Mancini candidacy to neutralize the court's ability to prosecute the investigations into the P-2 case, and had gone so far as to state publicly that the court judges investigating P-2 should be punished.

To Craxi's dismay, his candidate Mancini was voted down by the Parliament for the sixth time.

### 'Third Way' socialists study Qaddafi

Over 400 delegates from around the world convened in Caracas, Venezuela on Nov. 12-15 for a conference on Libyan chief Muammar Qaddafi's Green Book and its implications for "Third World revolutions."

The conference, entitled "Democracy and Socialism," was co-sponsored and financed by the University of Tripoli and the Philosophy Department of the Universidad Central in Caracas.

Qaddafi's *Green Book* is a manual for Pol Pot-style "Third Way socialism"—zero population growth and deindustrialization—for the Third World. It concretizes ideas hatched during Qaddafi's 1950s collaboration with fascists Juan Perón and Otto Skorzeny among P-2-linked Freemasonic circles in Madrid.

The leading speaker was Roger Garaudy, environmentalist sponsor of the "Christian-Marxist Dialogue" and mentor of Iranian revolutionaries, who is rumored to have written the *Green Book*. He demanded active support for the new Socialist government of France from the Arab fundamentalists and Socialist International members in attendance.

Other such meetings previously occurred in Libya and Madrid, and are planned for Athens and Belgrade.

### Kissinger holds Kissinger hostage in Brasília

Henry Kissinger organized a violently anti-American demonstration against himself while he was speaking at the University of Brasília, Brazil, Nov. 18. The once-and-future Secretary of State was forcibly holed up for two hours in the rector's office, while 500 "students" paraded outside chanting "Kissinger Go Home" and burning American flags for the edification of American TV audiences.

Several Brazilianists intimate with the situation at the University of Brasília concur with EIR's view that the demonstration could not have been spontaneous. The rector of the university is a retired hard-line admiral who is kept in that position by the repressive forces increasingly surrounding President João Figueiredo. Admiral José Carlos Azevedo had never failed to bloody student rebels and expel dissidents from the university. This time, however, the protesters were permitted to stage their action unmolested for two hours on a section of the campus which could have been readily cordoned off. When Kissinger was finally trundled off in a paddy wagon, the military police tolerated demonstrators pelting the other assembled diplomats and cabinet members with eggs. No students were arrested, nor was there even an ID check.

Such strange events do not take place in Brasília except under orders from the "highest authorities," in this case evidently intelligence-service strongman Gen. Octavio Medeiros, a Mossad-linked figure who is apparently supporting Kissinger's efforts to smash Brazil's present official support for Saudi Prince Fahd's Middle East peace plan and to reverse Brazil's sharp opposition to military intervention in Central America. Every embarrassment to Figueiredo's efforts to return Brazil to democratic life, such as the Brasília riot spectacle, strengthens Medeiros's influence in military circles, while Kissinger came off bravely on television.

## Briefly

● **ALEXANDER SCHUBART**, leader of the West German environmentalist-fascist party Die Grünen, may be indicted for violation of constitutional authority and incitement of violence following riots last month at the Frankfurt International Airport in defense of trees jeopardized by runway expansion. One million marks' damage was inflicted and an elderly woman died of a heart attack when her car was trapped by rioters.

● **DENG XIAOPING** is already beginning to distance himself from Washington to shore up his own political fortunes if and when the U.S. sells jets to Taiwan.

● **NUPLEXES**, or industrial complexes centered around atomic energy plants, are recommended for Egypt's economic development in a program soon to be released by the National Democratic Policy Committee, whose advisory board is chaired by EIR founder and former presidential candidate Lyndon H. LaRouche, Jr.

● **THE DIPLOCK** Commission, now investigating KGB contamination of British officialdom, may be a diversionary move to protect a member of the royal family who is actually the "Fifth Man," i.e., the unknown co-conspirator of Guy Burgess, Donald Maclean, Kim Philby, and Anthony Blunt.

● **VENEZUELA** is consolidating an alliance with the People's Republic of China, following President Herrera Campins' visit to Peking late in October. Although his government is strongly anti-communist, it agrees with China on a population-reduction policy; the ruling Christian Democratic Party works closely with the Club of Rome, and co-sponsored its international conference in Caracas last June. Herrera thinks "The Third World needs a strong, powerful, prosperous and friendly China."

# Kissinger and Fisher out to steal the White House

by Richard Cohen, Washington Bureau Chief

Pushing the line that "the Reagan administration's foreign policy is in disarray," the Henry Kissinger-Max Fisher group is attempting a coup over U.S. foreign policy.

On Nov. 19, after a meeting between Vice-President George Bush and Max Fisher, chairman of the GOP's Jewish Advisory Committee and the man who masterminded the fight against the AWACS sale, 33 top financial contributors to the Reagan campaign met with the President, reportedly to demand "reassurances" that he would not pursue comprehensive Middle East peace negotiations along the lines suggested by Saudi Arabia's Fahd plan. As a "test" of the President, New York attorney Howard Squadron leaked from closed-door discussions remarks by Reagan which he presented as an administration policy shift to total support of Israeli claims for full sovereignty over Jerusalem. The thought was that the President would be unwilling to risk a denial in an atmosphere in which Max Fisher and others have privately and not-so-privately begun to charge the Reagan administration with anti-Semitism.

The Fisher crowd's strongarm tactic fell short, however, when the White House immediately issued a statement proclaiming that there had been no change in longstanding U.S. policy that the status of Jerusalem is something to be determined through Middle East peace negotiations, not unilateral statements. Hardly anyone thinks the matter will end there, however. Once again, the word has begun to circulate that the administration will pay for its "foreign-policy mistakes" through a new Israeli military action in Lebanon, and Republican losses at the polls in 1982.

More than Middle East policy is at stake. Among Fisher's co-conspirators are Henry Kissinger and other leading figures at the Jesuits' Georgetown University's Center for Strategic and International Studies (CSIS), who have conducted guerrilla warfare against Reagan since his presidential nomination. Now they want full control over all U.S. policy.

The current escalation in coup plans comes after the fortunate AWACS victory on the Senate floor, secured through a total mobilization of presidential resources and Reagan's personal interest in the Fahd plan. Further, the President's commitment to other British-initiated policies regarding North-South relations and arms-talks manipulations have been assessed by those Kissinger controllers as "shaky at best," with the President endorsing both for time-buying purposes.

Strong suspicions are widespread here that a dramatic change in Reagan's foreign-policy directorate, led by the ouster of National Security Adviser Richard Allen and quite possibly Haig, would be linked with a pre-arranged Israeli invasion of Lebanon with direct military implications for both Syria and Saudi Arabia. Even if a clean sweep is not secured, Kissinger-linked press outlets have already promoted as desirable replacements for the scandal-ridden Allen either Brent Scowcroft, Kissinger's deputy and President Ford's NSC chief, or Kissinger-surrogate David Abshire, head of CSIS. Max Fisher's liaison George Bush already chairs "emergency" national-security decision-making.

As for Haig himself, this longtime asset of the Fisher-Kissinger-CSIS crowd is viewed as "a spent force" who can be tossed to his enemies on the White House staff in

exchange for increased direct Fisher-Kissinger influence. Indeed, some of my U.S. intelligence-community sources say the "maximum goal" of Fisher's current maneuvers, if backed by Israeli war moves, will be to bring back into the White House Gerry Ford (Max Fisher's avowed first choice as President in 1980) as a special adviser on foreign affairs, and to make Kissinger himself at least a special negotiator for the Middle East.

### A bit of history

In effect, this would represent the same proposal Fisher and Kissinger made to Reagan in the early summer of 1980, when Fisher and Kissinger hatched a plan to gain veto power over the national-security apparatus of a potential Reagan administration, as well as effective power over the budget process and the White House staff. The best-known feature of the plan was offering their unfortunate plaything Gerry Ford as number-two in "a dream ticket" that would guarantee GOP victory in November. Next, Fisher called an old, close friend, Alfred Bloomingdale, who as a Reagan intimate was asked to intercede for the "Ford option."

At the July 1980 Republican convention, the ante was upped. Reagan had been prepared to offer Kissinger and Fisher power over the Defense Secretary appointment in exchange for a Ford candidacy. Greenspan demanded that Ford be made "chief operating officer" in a "co-presidency" whereby the former President would oversee "national security affairs." Greenspan also wanted the National Security Adviser appointment for his sponsors, and veto power over the choices for State and OMB as well as Defense. Going down to the wire, Kissinger himself stepped into the negotiations. A new "Ford for V.P." committee headed by quondam GOP chairman Bill Brock and supported by Senators Baker, Dole, and Griffin and Gov. James Thompson of Illinois, was whooping it up for Ford on the convention floor. Kissinger put "Ford's final demands" on the table: Kissinger as Secretary of State, Greenspan Treasury Secretary, James Lynn to return to his Ford post as OMB director, and Scowcroft as National Security Adviser. According to a source present, a "flabbergasted" Reagan shut down negotiations.

Fisher and Kissinger were hardly distressed with Reagan's vice-presidential choice; Bush had also been Ford's first choice as V.P. However, Reagan intimates such as Sen. Paul Laxalt of Nevada were outraged at the price for "Republican unity." Reagan delegates and key supporters around the country openly voiced concern that Bush as well as Ford opposed the Reagan tax-cut and defense-buildup plans. Bush's Connecticut coordinator, Malcolm Baldrige, was named Secretary of Commerce, and James Baker III, former Ford adviser and Bush campaign director, was named White House Chief of Staff. Baker's senior aide, Dick Darman, who

never campaigned for Reagan, was not only an early Bush supporter but the longtime right-hand man to arch-Fabian Elliot Richardson. Yet Darman has risen to "super-star" status in the White House.

### Back to the domestic economy

The Ford-Bush policy of high taxes and defense cuts dominates the case of OMB Director Stockman.

David Stockman, who owed his start in Congress to the auspices of the Fisher-connected Rosenwald family of Sears Roebuck, elaborated his own support for that policy in the scandalous *Atlantic Monthly/Washington Post* interviews. It is worth noting that Stockman traced his abandonment of Reaganomics to Wall Street's adverse response, which in turn was orchestrated by Ford adviser Alan Greenspan as part of an inside-outside job against Reagan's foolish, unsound "free enterprise" policy, in order to wreck both Reagan's remaining independence and his political fortunes. Stockman himself joined forces with James Baker III late this summer to attack the already inadequate Weinberger budget, then called for sizeable tax increases. The *Atlantic Monthly* scandal was timed to undercut White House resistance to that policy by undercutting presidential credibility and to hand the initiative to the worst elements on both sides of the floors of Congress.

On Nov. 16, the Senate Budget Committee narrowly defeated a proposal by its Chairman, Peter Domenici of New Mexico, who sought to tie the 1982 budget to a \$48 billion tax increase for FY 1983 and 1984, and to brutal cuts in defense and entitlement programs of upward of \$102 billion for the same fiscal years. Similar sentiment for that International Monetary Fund approach has dominated the GOP leadership of the key Appropriations and Finance Committees. Stockman's spirit has taken over the frightened GOP majority in the Senate and an increasing number of House Republicans.

The real world in which all this occurs is the slide into industrial depression obtained by the Federal Reserve's credit policy, and celebrated by the Democratic Party leadership under California banker Charles T. Manatt, House Speaker Tip O'Neill, and AFL-CIO President (and Trilateral Commission member) Lane Kirkland. Conveniently, Reagan's Council of Economic Advisers Chairman, Murray Weidenbaum, appeared on national television Nov. 15 to predict an all-time post-World War II unemployment rate by early next year. The next day, the AFL-CIO opened its convention, with its executive board having passed a resolution in support of credit controls. Kirkland, Walter Mondale, Ted Kennedy, and Tip O'Neill took turns blaming Reagan's tax cuts for Paul Volcker's depression. This is the "outside" pressure preparing the way for the intended Kissinger-Fisher cold coup within the administration.

# Sen. Williams seeks fair trial in Senate

by Anita Gallagher

Senator Harrison Williams (D-N.J.) went before a special session of the Senate Ethics Committee Nov. 16 to demand a full trial before the U.S. Senate, including powers to subpoena and cross-examine non-Senate witnesses, before the Senate votes on his expulsion on Abscam charges. Williams's attorney said that he will go to U.S. District Court to block the Senate vote unless he is given a complete trial.

Williams told the Ethics Committee Nov. 17 that he would call for cross-examination: former U.S. Attorney General Benjamin Civiletti; Civiletti's top aides Philip Heymann and Irvin Nathan; FBI Director William Webster; chief Abscam prosecutor Thomas Puccio; Newark Crime Strike Force Director Robert Stewart; FBI agents John Good and Anthony Amoroso; and Esther Newberg, the go-between in the much-publicized \$40,000 commission on an Abscam book arranged between Puccio and *Village Voice* writer Jack Newfield.

Williams also said he would call juror Salvatore Ottovino, Jr., who signed a sworn statement that he would never have voted to convict Williams, and believed that other jurors would not have either, had they been allowed to see exculpatory FBI-DOJ documents withheld from Williams' trial last April. The Senator said he would also call a linguist, a psychologist, and others.

Senator Williams's bold moves for a full trial in the Senate are historic. Not since 1807, in an expulsion proceeding brought against Sen. John Smith of Ohio, has the Senate allowed a full trial with non-Senate witnesses. Smith was acquitted.

Williams's new Ethics Committee counsel, Robert J. Flynn, Jr., is the attorney who filed a \$6 million civil suit against Civiletti and other DOJ-FBI parties whom Williams now seeks to cross-examine before the full Senate. Flynn said that a letter would be immediately delivered to the Senate leadership demanding a hearing, and "If the leadership rules us out, we will go in to the U.S. District Court to enjoin the expulsion proceedings."

By Nov. 19, the Senate leadership Howard Baker and Robert Byrd had rejected Williams's request to introduce new evidence of government misconduct to the full Senate. At the same time, they informed the Abscam victim

that he could not have an attorney speak in his defense during the full Senate proceedings. Their position, as enunciated in a letter to Williams, is that the Ethics Committee, and not the full Senate, "is the proper forum in which all such [new] evidence should be received." As of Nov. 20, Williams was seeking a compromise in which the new evidence would be heard in some form, if not in the full Senate. Baker (R-Tenn.) and Byrd (D-W.Va.) have presently scheduled the opening of the expulsion debate for Dec. 3, but a move to open it could occur sooner.

Baker and Byrd had written the members of the Ethics Committee a letter on Nov. 13 asking that they convene Nov. 17 to examine Williams's claim that he had new evidence and new witnesses. Flynn told the Ethics Committee Nov. 17 that the principal new evidence he had to show was government misconduct. "This is a matter of new information, not new witnesses," Flynn told the Committee, in arguing down claims by Ethics Committee members that Williams's evidence could or should have been dealt with in the Ethics Committee's hearings in July and August.

The Ethics Committee members contended that it was up to the full Senate to determine what kind of proceeding to allow.

New evidence against Thomas Puccio, the prosecutor responsible for Williams's indictment and conviction on Abscam charges, also surfaced this week in Washington. On Nov. 16, just a half hour before the Ethics Committee met, National Democratic Policy Committee spokesman Richard Cohen held a press conference in Ethics Committee Chairman Senator Malcolm Wallop's (R-Wyo.) office to release a dossier on misconduct by Abscam prosecutor Puccio.

Cohen told the Senator's stunned staff and members of the national press corps that "We are here today to give new information to the Ethics Committee and its Chairman on several points . . . most important, the background of Abscam prosecutor Thomas Puccio."

Cohen told the press, when questioned about the "relevance" of Puccio's background, that "the general public does not agree with the standards of the Ethics Committee's investigation, and its refusal to deal with the Justice Department's use of entrapment. . . . This is an attack on the Senate of the United States. If the Senate does not wise up and stand up, a number of other Senators will be targeted, and the targeting will quickly spread to the executive branch itself."

Besides the Puccio dossier, NDPC is showing a videotape interview with Williams across the country, which concludes with a statement by NDPC Advisory Board Chairman Lyndon LaRouche in support of Williams. An NDPC spokesman described the effect of the tapes on union and political audiences as "devastating to the flimsy Abscam frameup."

## Abscam prosecutor Puccio should be investigated for corruption and misconduct

*The following dossier was released Nov. 16 by the National Democratic Policy Committee.*

The National Democratic Policy Committee has called for an immediate investigation of the unconstitutional and improper methods used by U.S. Attorney for the Eastern District of New York Thomas Puccio. The 37-year-old Puccio led the Justice Department Abscam campaign to frame up and then prosecute in court a 23-year veteran of the United States Senate, Democrat Harrison Williams of New Jersey. As the following dossier on Puccio's career demonstrates, Puccio's case against Senator Williams is not the first time that the U.S. Attorney has used irregular methods against targeted political victims.

**Name:** Thomas Philip Puccio.

**Born:** Sept. 12, 1944.

**Education:** Brooklyn Preparatory School; Fordham University, B.A., 1966; Fordham Law School, J.D., 1969—New York's Jesuit training track.

**Outlook:** During the radical ferment of the 1960s, Puccio "developed an interest in civil rights and poverty law. . . . His special interest was official corruption and white-collar crime. The model for his efforts was Robert Kennedy when he was Attorney General," according to Gregory Wallace, former reporter for the *Village Voice* and *New York Times*, who is now an Assistant U.S. Attorney in Brooklyn.

**Early career:** After graduating from Fordham Law, Puccio spent the summer of 1969 working for the Brooklyn Neighborhood Services program, whose Legal Services offices were a control center of the Ford Foundation's effort at the time to provoke racial upheavals and dismantle New York City's educational system through "community control" of school districts, using Socialist International-directed radicals as part of the Foundation's overall program of "planned shrinkage" and elimination of the teachers' union.

**Associates:** Married Carol L. Ziegler on May 23, 1976. Ziegler was a member of the Williamsburg (Brooklyn) Neighborhood Legal Services staff, at the time they met. Friends include Wayne Barrett, Joe Conason, and Jack Newfield of the *Village Voice*, a counterculture,

pro-drug weekly associated with the reform Democratic Party faction that opposed the old-line party leadership in Brooklyn and elsewhere. Puccio shared a house on Martha's Vineyard with Newfield in 1979-81.

**Federal tenure:** Joined the U.S. Attorney's Office for the Eastern District of New York (Brooklyn, Queens, and Long Island) in October 1969 under the sponsorship of Edward Neaher, a Long Island Republican who himself had just been appointed U.S. Attorney. Neaher said later that he was told by the Justice Department to fill the district's 50 percent vacancies with "young, highly motivated lawyers just out of law school," a criterion which in 1969 was likely to weight the Attorney's office with radical, manipulable, and/or pro-drug prosecutors.

In 1972, Puccio was appointed to head the district's narcotics unit. In 1973-76 he was promoted to chief of the Criminal Division for the District. In 1976-77, he was Executive Assistant U.S. Attorney. In 1976 he became Attorney-in-Charge of the Organized Crime Strike Force.

**Point of investigation: The Peter Schlam drug-overdose coverup.** In 1974, Puccio was living in Brooklyn with one of his subordinates, Assistant U.S. Attorney Peter R. Schlam, who was prosecuting a "political corruption case" involving Congressman Angelo Rancallo from Long Island. On May 10, 1974, Schlam was admitted to the intensive-care unit of Good Samaritan Hospital in West Islip, Long Island, for treatment of a barbiturate overdose. Puccio informed the presiding judge in Schlam's case on the record that Schlam never voluntarily took drugs, and foul play should be suspected. According to a June 4, 1974 report in *Newsday*, a Long Island daily, the hospital was asked to rescind the police report containing routine notice of a drug-overdose case, and revise its records. "Later that night, apparently on orders from the FBI, the hospital refused even to concede that Schlam had been admitted."

A source familiar with the incident said that it was Puccio who had demanded that the hospital change its records. A subsequent investigation by the FBI and Justice Department found no evidence of any "foul play," and Schlam was given an official reprimand by the DOJ, but Puccio's role in protecting the image and

standing of "anti-corruption" prosecutors was never investigated.

The followup: Puccio himself continued the prosecution of the Rancallo case. Rancallo was acquitted by a jury on May 14, 1974, and told reporters that on Feb. 14, Schlam had threatened that he would be indicted by a grand jury unless he came up with information incriminating the District Attorney for Nassau County, Republican William Cahn, and the county Republican leader, Joseph Margiotta. Schlam added that even if he were absolved, the indictment would be enough to ruin him. Rancallo said he had refused, and therefore the indictment came down.

**Point of investigation: The DeFeo Report.** In 1975, a confidential Justice Department report dated June 18 was submitted to Attorney General Edward Levi, which among other things concerned an investigation of Puccio and his relationship to a major Turkish heroin dealer, Hovsep C. Caramian, an informant for Puccio under protective custody at Fort Holibird, Maryland. The memo, named for the present head of the Kansas City Organized Crime Strike Force, Michael DeFeo, was not directed at internal Justice Department corruption. It was part of a political war waged by the DOJ against the Drug Enforcement Administration (DEA). But it raises further serious questions about Puccio's conduct.

The report states: "During the 1960s Hovsep C. Caramian was a significant international trafficker in heroin, and is believed to have been responsible for smuggling thousands of kilograms of heroin into the United States. Caramian is now in federal custody and has been cooperating with the government, particularly the United States Attorney's office, Eastern District of New York. . . .

"In December 1974, DEA agents received information that Caramian was in possession of government documents, and there was some concern that Caramian may have been leaking information. A search of Caramian's room at Fort Holibird, Maryland, was conducted and two foot-lockers containing various documents were seized. An inventory of the seized documents included among other things, the following items:

"1) Numerous grand jury transcripts of testimony of Hovsep C. Caramian. 2) Grand Jury transcript of testimony of Special Agent Lawrence Katz. 3) Numerous U.S. Customs reports of investigations. 4) Informant debriefing memoranda. 5) Statements taken in connection with narcotics investigations. 6) Franked postage-paid envelopes from United States Attorney, Eastern District of New York. 7) Franked air-mail envelopes, U.S. Department of Justice. . . .

"There was some concern . . . that Caramian may have been dealing in narcotics while in Federal custody. . . .

"On Feb. 19, 1975, Caramian was interviewed by

DEA inspectors and stated that Assistant United States Attorney Thomas Puccio, Eastern District of New York, furnished him with various documents including grand jury transcripts so that he would be more effective in identifying narcotics traffickers and authorized him to make numerous telephone calls from various 'safe houses.' . . . From the material furnished to this inquiry it appears that this matter is the subject of ongoing investigation by the DEA Office of Inspection and the FBI."

On March 26, 1976, Mark L. Wolf, Special Assistant to the Attorney General, sent a memorandum to Peter Bensinger, DEA Administrator, which read in part: "As we discussed at yesterday's meeting of the Attorney General, the Deputy Attorney General, Assistant Attorney General Thornburgh, Togo West and myself, it was decided that we should continue to resist disclosing to Congress any portion of the DeFeo report being reviewed for possible criminal or administrative action."

In a column appearing in the *Washington Post* on Sept. 23, 1981, Jack Anderson concluded of this case: "The Caramian-Puccio investigation was turned over to the Justice Department, where it was quietly interred. In response to an inquiry from my office, Puccio claimed he had no memory of being under investigation during the 1975-1976 period."

**Point of Investigation: The Frank King Case.** In 1975, Puccio took part in the final stage of the Knapp Commission "corruption" investigations under New York State Special Prosecutor Maurice Nadjari, whose show trials succeeded in dismantling the New York Police Department's narcotics unit, and wrecking the department's effectiveness, although none of those prosecutions and convictions withstood judicial scrutiny.

A top narcotics detective in the Special Investigations Unit, Francis King, had been targeted by Nadjari, who in 1973 stated his intention to indict policemen for the disappearance of heroin seized in the famous "French Connection" drug bust. No such indictments materialized. But in 1974-75, Nadjari secured indictments against Frank King which were never brought to trial—one, it was later revealed, was for giving a prisoner an order of fried shrimp from Vincent's Clam House.

King was indicted by Puccio in December 1975 for allegedly violating narcotics dealers' civil rights. In May 1976, the federal jury found King and two co-defendants not guilty. Puccio broke into tears. He next brought charges against King for failing to pay his federal income taxes for 1973, although the IRS itself had accepted his explanation and absolved him of any penalty for late payment. When the IRS officials testified to that effect, Puccio ruled their testimony irrelevant to a criminal indictment! After the jury came back with a "guilty" verdict, Puccio declared, "That solves the French Connection case." He asked for and won the maximum five-



NSIPS/Virginia Bajer

Thomas Puccio

year sentence for Frank King.

**Point of Investigation: The Sam Wright Case.** In 1977, Puccio convened a grand jury and secured the indictment of Brooklyn Democratic leader Sam Wright for “extortion.” The indictment was preceded by leaks to the *New York Times* and *Daily News*. Wright immediately went to then-Attorney General Griffin Bell to demand an investigation into the Eastern District office, and specifically Puccio, for flagrant “conflict of interest,” along with the implication of malicious prosecution.

From September 1973 through 1977, when she joined the Williamsburg office of the Neighborhood Legal Services program, Puccio’s wife, Carol Ziegler, had attempted to have Wright indicted, and had personally directed political insurgents against the Brooklyn Democratic machine, embodied in their eyes by Mr. Wright, on the Socialist International-contrived issue of “community control of the schools,” and specifically of School Board #23. At her instigation, and under Puccio’s auspices, Sam Wright was subjected to two federal grand jury investigations, one in 1974 and one in 1975. An Assistant U.S. Attorney told the FBI in 1976 that the case lacked “prosecutive merit,” and it was handed over to the IRS in 1976, which in turn gave Wright a clean bill

of health.

Griffin Bell referred the conflict of interest charges against Puccio to the DOJ’s Office of Professional Responsibility under Michael Shaheen, who simply asked if the allegations were true. Puccio denied them. The matter was dropped. Wright was convicted.

After serving a 90-day sentence, and losing his right to practice law, Wright obtained documents through the Freedom of Information Act (FOIA) from the DOJ, the FBI, and the IRS confirming both conflict of interest and showing that Puccio and the DOJ had lied and committed perjury in order to cover it up.

FBI memoranda dated March 27 and April 10 showed Puccio’s wife proposing to the FBI that she “contact any potential witnesses or aid the FBI in any manner” on the question on Wright versus the school-board dissidents.

On July 24, 1975, Ziegler submitted a 50-page report to the DOJ retailing slanders against Wright by his political enemies—for whom she was legal counsel—alleging that there was vote fraud in the May 6 School Board #23 elections. Two days earlier, an internal DOJ memo shows, Puccio had “advised us that his office may possibly initiate an investigation of the alleged election fraud.” No case fit for a courtroom was ever put together.

## Puccio and Abscam

Puccio, as Strike Force chief, stage-managed the scripts in all the Civiletti Justice Department’s congressional Abscam investigations. Puccio’s *prosecutorial misconduct* calls into question whether Abscam was at all an investigation by current juridical standards or rather a targeted political witch-hunt.

It is in this context that the following questions of misconduct by Puccio must be investigated: 1) fabrication of probable cause; 2) the lack of the defendants’ right to a disinterested prosecutor; 3) the absence of sufficient prosecutorial supervision of Mel Weinberg, the con-man hired as the government informant for Abscam; and 4) possible collusion with Senate Ethics Committee staff.

The Abscam case of Sen. Harrison Williams encapsulates all the above violations.

**Probable cause:** An FBI internal memorandum released *after* Senator Williams was convicted on May 1, 1981 demonstrates that Puccio resorted to fabricating the *probable cause* by which an investigation could be launched. In an FBI document dated Jan. 8, 1980 Robert C. Stewart, New Jersey head of the strike force, explains: “In his conversation with me on March 27, 1979, Mr. Puccio indicated that Suspect ‘W’ [Williams] of New Jersey had a hidden interest in the particular business venture. It was the hidden nature of this

interest which was malum prohibitum [fraud] and it was that fact which justified further investigation."

Five days later Puccio had a different story. Stewart writes: "However, during the meeting of April 4, 1979 in Brooklyn . . . Puccio related that the investigative predicates [the probable cause] as to Suspect 'W' were 1) the assertions of Intermediary 'E' [Camden Mayor Angelo Errichetti] that 'W' was corrupt and that 'W' 's friend, 'F,' was 'W' 's bagman, and 2) the assertions of the Informant [Melvin Weinberg] that 'F' was 'W' 's bagman. Mr. Puccio observed that 'W' was a 'big question.'"

Puccio, in short, depended only on the word of a corrupt informant (Weinberg) and a corrupted one (Errichetti) for his allegations against Williams.

Subsequent to the end of the major Abscam trials, including those of Senator Williams and Rep. John Murphy, exculpatory documents were obtained by the defendants, documents which Puccio withheld from the defense in violation of the Brady requirements, as he had in the Sam Wright case.

The now famous "Exhibit 39A" proves conclusively that the government had no proof of "predisposition" of defendants Williams and Murphy, yet Puccio proceeded with his scheme to taint the defendants with criminality, a "taint" which proved disastrous for them in the post-Watergate, media-dominated "official corruption" environment.

The document was an "FBI Internal Memorandum" dated Nov. 27, 1979, from FBI Section Chief W. D. Gow to Assistant Director in Charge Francis M. Mullen, Jr., and it read in part:

Relative to the matter concerning U.S. Senator Harrison Williams of New Jersey, the following was decided:

1) It will be necessary to recontact U.S. Senator Williams in an attempt to obtain an overt action on his part regarding his sponsoring some type of legislation; i.e., tax cover of titanium mine; environmental standards for titanium mine and/or import quotas for titanium mine.

2) It was also suggested that attempts should be made to elicit from U.S. Senator Williams whether or not he wanted his name hidden, through discussions concerning reporting of personal taxes and official acts that he promised to provide.

If the above information is obtained, prosecutors at the meeting felt that they could prove that Senator Williams was in violation of Title 18, Section 201 USC and Conspiracy to Defraud the Government.

Relative to the matter concerning U.S. Con-



Sen. Harrison Williams

gressman John Murphy, Staten Island, New York, it was felt that he should be recontacted and an attempt should be made to elicit from him that through his position he can guarantee political asylum for the Arab principal of Abscam.

One of the jurors in the Williams trial, Salvatore Ottavino, was shown the document after it had been made public. Ottavino swore out an affidavit to the effect that if he had seen the document during the course of the trial he would never have voted for the conviction of Senator Williams on any of the counts.

**The right to a disinterested prosecutor:** As Dean Erwin Griswold, former Solicitor General of the United States, points out in a legal brief written on Williams's behalf: "The defendant in a criminal case is entitled to have a disinterested prosecutor, in the sense that the prosecutor's own conduct is not in question." Griswold cites a Supreme Court ruling, *Berger v. United States*, 259 U.S. 78, 88 (1935):

"The United States Attorney as the representative not of an ordinary party to the controversy, but of a sovereignty whose obligation is to govern impartially, is as compelling as its obligation to govern at all; and whose interest therefore, in a criminal prosecution is not that it shall win a case, but that justice will be done."



Puccio's violation of this principle was best illustrated in the final dramatic scene in late January 1980 in his *recontact* of Williams to have the bogus Arab sheikh offer Williams a bribe. When the offer was made and Williams replied, "No, no, no," Puccio who was standing on the other side of the video recorder interrupted the taping with a phone call into the "sheikh" as a way of preventing Williams from completing his description of American law to the foreigner and explaining why acceptance of money was out of the question. This explanation would have ruined Puccio's case.

Secondly, Puccio was caught in a venal conflict of interest. This, as well as Puccio's involvement with the left radical networks associated with the *Village Voice* and certain elements of the Kennedy machine first came to light during the due process hearing before Judge Pratt this February in Brooklyn.

Congressman Murphy's attorney, Sam Buffone, asked Puccio if he was aware that Newfield had signed a contract for a book based on the prosecution of the Abscam cases. "Yes, I am," responded Puccio. Puccio described Newfield (who was one of the founders of Students for a Democratic Society) as a "close personal friend." Buffone persisted in his questioning.

**Buffone:** When did Mr. Newfield enter into that contract?

**Puccio:** I have no idea.

**Buffone:** Have you had any discussions with Mr. Newfield about your possible or actual collaboration in that project?

**Puccio:** No.

With that answer, Puccio perjured himself. Puccio then said to Judge Pratt, "Judge, if I may, in reference to that last question Mr. Buffone asked me, just reflecting on it, although I haven't had any discussion relative to getting involved in a present project of Mr. Newfield's, I have been offered the opportunity, if I wished to, to get involved in a book project. I just thought I would make that clear."

It turned out that Puccio and Newfield had been sharing a summer home on Martha's Vineyard since at least 1979. But Puccio swore under oath that there had been no improper discussion of Abscam with Newfield!

In the fall of 1979, Jack Newfield had written a slanderous article against Rep. John Murphy in the *Village Voice*. Murphy was another of Puccio's targets.

Puccio also admitted that he had "one or two discussions with Mr. Newfield" and Esther Newberg, his literary agent, concerning the book contract. The contract called for a \$40,000 advance fee for Newfield and an equal amount for an unnamed co-author. Puccio admitted that Newfield and Newberg had discussed Puccio's co-author candidacy with the Publisher, G.P.

Putnam and Sons.

Buffone asked, "Was their discussion with . . . your approval?" Puccio responded, "Yes."

Buffone persisted with this line of questioning: "At the time you reviewed the collaboration clause, had ongoing discussions with Mr. Newfield, you were aware that the opportunity was and is available to you?" Puccio responded, "Yes."

Buffone persisted with this line of questioning: "At the time you reviewed the collaboration clause, had ongoing discussions with Mr. Newfield, you were aware that the opportunity was and is available to you?" Puccio responded, "Yes."

Newfield was Bobby Kennedy's speech-writer and biographer. Newberg went to work for Bobby Kennedy on his Senate staff in 1967, gained notoriety in 1969 as one of the girls who survived Teddy Kennedy's Chapquiddick party.

**Lack of prosecutorial supervision:** The third serious misconduct charge to be investigated is Puccio's acquiescence to the convicted crook Mel Weinberg. In a conventional "sting" operation, government investigators uncover ongoing criminal activity. In the Williams Abscam case, Stewart characterizes Weinberg's actions in the following way: "The Informant persists in formulating the criminal scheme rather than simply allowing the suspects to do this."

Despite the concern raised by Puccio's colleagues, he refused to put any significant controls on Weinberg's activity. In the Griswold brief it was pointed out that the crook Weinberg was allowed to use his own "discretion" as to which conversations to record and which he could dismiss or throw away.

One other blatant action by Weinberg was the infamous "coaching session" preparatory to Williams's meeting with the sheikh. The informant was caught "putting words into the mouth" of his victims. Puccio called the New Jersey strike force team's disapproval of this a "petty jurisdictional dispute."

The fourth instance of misconduct is that of Puccio's **consistent contact with the Senate Select Committee on Ethics**. In a Sept. 11, 1981 column, Jack Anderson notes: ". . . Justice Department officials were allowed to guide the Committee from backstage. . . . Long before Williams was found guilty, courtroom observers spotted a frequent visitor huddling with Abscam prosecutor Puccio, during the trial. The mysterious stranger was identified by witnesses as the Ethics Committee counsel, Donald Sanders. . . ." In FOIA travel records of the Ethics Committee recently made available, it can be seen that Mr. Sanders traveled to Brooklyn quite frequently throughout the entire investigation.

The totality of these issues of prosecutorial misconduct warrants investigation into the actions of Thomas Puccio.

## **D**rug hearings soft on Hong Kong, Jamaica

There was considerable disappointment when Sen. Sam Nunn (D-Ga.) wrapped up his Senate Permanent Subcommittee on Investigations (SPIS) hearings on the international dope traffic and its finances on Nov. 18.

The hearings had been announced a few days after an Oct. 22 seminar on the subject, co-sponsored by the National Anti-Drug Coalition (NADC) and *Investigative Leads (IL)*, the law-enforcement bulletin of *EIR*. The seminar had focused heavily on the central role of Hong Kong in the international drug-banking networks.

After five days of "in-depth" hearings by Nunn's committee, the Crown Colony on the edge of Communist China came out smelling like the proverbial rose. In fact, the minority staff's fact-finding mission to Asia led by Nunn praised the role of Hong Kong's notoriously corrupt police department for its role in the war against drugs!

On Nov. 10 the subcommittee convened the hearings on "International Narcotics," which assembled more than two dozen witnesses, including prosecutors, drug-enforcement officials, administration officials, and convicted drug felons, to document the dirty-money operations behind the international drug trade. The central role of Hong Kong banks has been thoroughly documented in many locations including the best-selling exposé *Dope, Inc.* Most recently, a Sept. 4, 1981 article in *Far Eastern Economic Review* titled "Chinese

Laundry Blues" quotes Sen. Sam Hayakawa (D-Cal.) blasting the vast money laundering going on in Hong Kong banks. "Money, regardless of its source," reported the journal, "can easily be moved through Hong Kong's financial institutions and 88,000 registered companies to make it untraceable to the narcotics trade."

In contrast, the subcommittee minority staff statement reported that "Although there are currently some 30,000 to 50,000 heroin addicts residing within the colony, Hong Kong is no longer considered to be an exporter of heroin. Hong Kong suppliers import the drug into the colony, largely from Thailand. . . . In the area of enforcement within the colony, Hong Kong authorities have shown a willingness to utilize a wide variety of different approaches. . . . Hong Kong has, in many areas, proven to be a leader in the employment of new legal and operational law-enforcement techniques in Southeast Asia. . . . Equally praiseworthy have been the efforts . . . in tracing of narcotics profits through various financial institutions. *Given Hong Kong's long-standing tradition as a financial Mecca, banks in the colony are run as professionally, if not more so, than banks in the United States. This is true despite the fact that no central system of regulation governs the Hong Kong banking community* [emphasis added]."

A subcommittee report on Caribbean drug trafficking urged protection of the notoriously pro-drug Prime Minister of Jamaica, Edward Seaga, who presides over what many drug-enforcement offi-

cials call the "Hong Kong of the West." Testimony suggested that if Seaga were pushed on the drug issue this might lead to his overthrow.

## **V**esco investigation may be reopened

Senators Orrin Hatch (R-Utah) and Dennis DeConcini (D.-Ariz.) are seeking Senate funds to continue their investigation into whether there were a number of politically motivated decisions in Benjamin Civiletti's Justice Department, including the case relating to the Libyan-connected fugitive financier Robert Vesco. Hatch and DeConcini have requested that the Senate Judiciary Committee be appropriated an additional \$168,000 over a six-month period to hire two lawyers, two investigators, and a secretary for the purpose of completing the investigation of the Justice Department's Public Integrity Section which was begun in the last Congress. The resolution passed the Senate Rules Committee at the end of October and full Senate passage is expected shortly.

In a statement before the Senate Rules Committee in late October, Hatch said, "I would like to stress our oversight function regarding the Department of Justice. That is our primary effort here, not to investigate politically sensitive cases. . . . The integrity of the Senate is on the line." During their 1980 investigation of the handling of six cases by the Public Integrity Section at Justice, Hatch and DeConcini had been forced to wage a subpoena battle with the

Justice Department to gain access to documents in many of the cases. The most explosive case involves the alleged relationship between Vesco and former Democratic National Committee Chairman John White and allegations that the Carter White House blocked an investigation of that relationship. The investigation was occurring at the same time a Select Senate Committee was investigating Billy Carter's relationship to Libya. A number of common threads between the two investigations emerged, centering on Libya.

When asked if the reopened investigation could track back onto the Billygate coverup, a Senate source commented, "Who knows where Vesco will lead us?" While the \$168,000 request will cover investigative requirements for six months, its sponsors think the wrapup investigation may take two years, and intend to return to the Senate for further funds to complete the investigation.

## **Lester Brown pollutes Capitol Hill**

Lester Brown's new book *On Creating a Sustainable Society* is now polluting Capitol Hill, thanks to Brown's friends Paul Simon (D-Ill.) and Benjamin Gilman (R-N.Y.), who have sent a copy to every member of the House. Brown is the head of Worldwatch Institute and a leading spokesman for the Club of Rome, which created the limits-to-growth doctrine.

Brown's book is a tirade against further population growth. "We have entered a period of per-

manent industrial decline," he writes, concluding that "continued population growth is intolerable. We need societies like China that are running scared and have seen the light on the population question. . . . Fear is the key element."

Brown has been asked to address the Members of Congress for Peace Through Law during mid-November. The liberal group in which Simon is very active, has been run in part by Richard Ottinger (D-N.Y.), the leading advocate of population control in the House who has introduced legislation to coordinate budget policy with population control.

## **New non-proliferation bill introduced in Senate**

Charles Percy (R-Ill.), Chairman of the Senate Foreign Relations Committee, and Gary Hart (D-Colo.) introduced the Nuclear Non-Proliferation Act of 1981 (S. 1812) on Nov. 4. The bill would prohibit the government from acquiring weapons-grade nuclear material from commercial reactors unless Congress specifically authorizes it.

Percy explicitly cites the effort to develop the plutonium laser isotope-separation method, which would allow plutonium produced in nuclear power plants to be refined to the purity necessary for nuclear weapons, as his reason for introducing the legislation now. The laser-isotope-separation method is expected to be one of the most important breakthroughs in decades. The process would drast-

ically reduce the cost of providing nuclear energy, and is so efficient that countries with even small nuclear fuel resources would be able to provide vast quantities of nuclear energy for their populations. The process would also have major implications for other industries.

Capitol Hill sources report that Percy and Hart's real intention with this legislation is to abort any private-sector involvement with the new technology. Percy's office acknowledges that it has worked closely with the Natural Resources Defense Council, a leading environmentalist lobbying group. In introducing his bill, Percy criticized the separation process directly, claiming that the economic advantages of the new method in fact might "be illusory." He also claimed that the development of the process "could run into years of technical snags and delays."

The development of the plutonium laser isotope separation process and its use at commercial plants would immediately save \$3 billion that would otherwise have to be spent on a new plutonium defense production reactor to provide for defense needs of the 1980s.

There would also be tremendous benefit to the commercial nuclear energy industry, providing very cheap fuel for nuclear energy and eliminating the problem of nuclear waste disposal.

The bill has been sent to the Foreign Relations Committee where Percy intends to hold hearings on it Nov. 19. The legislation was also attached as an amendment to a nuclear waste bill by Senator Hart and this was reported out of committee Nov. 16.

# National News

## Reagan to back free-zone bill?

The White House may decide by Nov. 27 whether or not to support Rep. Jack Kemp's legislation to establish "urban free enterprise zones" free of government regulation, according to sources close to the Congressman. According to Kemp aides, the bill is under study by a special White House task force, which reported to the President Nov. 18. President Reagan, whom the aides call a supporter, endorsed the concept in a nationally televised press conference.

The bill, co-sponsored by Rep. Robert Garcia, Democrat from the South Bronx area of New York, would turn selected poverty areas into Hong-Kong modeled zones for low-wage, labor-intensive industry, free of most safety and health regulations and customs duties. Opponents have warned that such zones would, like Hong Kong itself and a Miami "free-enterprise zone" pilot project, rapidly become centers of illicit drug trafficking into the United States, while providing no appreciable benefits or future to the ghetto-residents finding employment in the zones.

Reagan aides are reportedly telling the President to target the bill on a limited number of cities. But Kemp, with heavy backing from the banking and real estate interests of both New York and Boston, wants a sweeping bill legalizing the "enterprise zones" for all urban areas.

## Scheuer would tie aid to 'population control'

Representative James Scheuer, a New York Democrat, is preparing to draft legislation that would make foreign aid conditional on the adoption of "population control" programs by the recipient countries.

Aides to Scheuer, a member of the Population Crisis Committee/Draper Fund, say that the bill, still in the drafting

stage, would reward countries who promote population control and "labor-intensive" development, while countries refusing to lower their populations would receive reduced aid or none.

The aides report great support for such legislation at the State Department, especially within the Agency for International Development (AID).

The aides noted that "some people will call this lifeboat economics or triage. We would prefer to look at it differently. Why should we be obliged to give aid to countries who do follow policies we don't like. We do it all the time. We don't give aid to the Soviets. . . . It is not that we are going to send in troops to force them to carry out population policies. But we have to use every other weapon that we have. . . . If they don't want to follow our policies then, they have the right to fall off the end of the Earth on their own—and that is what they will do. . . ."

Scheuer, writing in an Oct. 28 *New York Times* op-ed column, advocated such a selective foreign-aid policy, and cited support for this idea expressed at a 1979 parliamentarians conference in Sri Lanka. The conference was organized by the Draper Fund.

## Princeton asks protection for Muslim Brotherhood

Princeton University attorney Nicholas DeB. Katzenbach went before the U.S. Supreme Court Nov. 9 to argue that the private institution had a right to ban organizers for the National Caucus of Labor Committees from its campus.

Princeton harbors two controllers of a British intelligence network called the Muslim Brotherhood, Professors Richard Falk and Bernard Lewis, both of whom were active in organizing the 1979 Khomeini revolution in Iran.

The case, *Princeton University v. Schmid*, stems from organizer Chris Schmid's exposure of their Muslim Brotherhood connections. Schmid was arrested for trespassing while handing out a leaflet.

In April 1978, he was convicted in

municipal court and fined \$15, but the conviction was overturned by the New Jersey State Supreme Court.

It is this \$15 trespassing case that Princeton and Katzenbach, a former Attorney General of the United States, have taken to the Supreme Court. Katzenbach has built his appeal on the argument that the leaflet handed out by Schmid, detailing the activities of Falk and Lewis and their Iranian role in particular, was "highly offensive."

The New Jersey Supreme Court, in acquitting Schmid on appeal, cited the Supreme Court's *Pruneyard* decision of last year, which declared the free-speech and free-assembly clauses of various state constitutions, establishing broader protection than the First Amendment, protected Schmid's right to leaflet the campus.

## Hatch backs Williams against 'outrageous' FBI

Senator Orrin Hatch (R-Utah) became the first member of that chamber to come to the public support of Sen. Harrison Williams in his hard-fought effort to avoid expulsion from the Senate and obtain an acquittal on appeal of his Abscam conviction.

Calling both FBI and Justice Department prosecution tactics "outrageous," Hatch told the Newark *Star-Ledger* Nov. 17 that "The trial" of Williams "should never have been held, and having been held, he should have been acquitted. The executive branch should never be able to act in this outrageous way to violate the due process rights of any member of any separate branch of government."

Hatch, one of the leading conservative Republicans in the Senate, said he hopes Brooklyn judge George Pratt will reverse Williams' conviction on constitutional grounds. "I think there has been an injustice done."

Hatch, who personally viewed the FBI's videotapes, the basis for Williams' conviction on charges of accepting a

bribe, declared that the tapes contained "no evidence that he ever improperly used his influence," and showed that Williams had "formally rejected the only cash bribe offered."

Hatch indicated his preference for a "censure motion," rather than an expulsion resolution, tentatively scheduled for introduction against Williams Dec. 3 at the recommendation of the Senate Ethics Committee. Williams has threatened to seek a court injunction against the resolution, and to force the introduction of new evidence that would vindicate him.

Williams has been strongly supported in his fight by the National Democratic Policy Committee, which has been showing its videotape nationwide to demonstrate that Williams was not merely "entrapped," but "framed" by FBI agents operating under direction of high levels of Benjamin Civiletti's Carter Justice Department.

## Liberal press applauds Reagan arms proposal

The East Coast press carried what amounted to rave movie reviews Nov. 19 of President Reagan's Euromissile negotiation package, delivered the day before. The liberals hope the administration will forsake any strategic buildup and leave the U.S. dependent on its dilapidated conventional forces.

While acknowledging that the proposals "won't fly," the press lauded the speech as a great propaganda ploy. The *Christian Science Monitor* declared that Reagan "appears to have taken the psychological, political, and propaganda initiative away from the Soviets in the arms control field."

The *New York Times* added that it was still unclear whether Reagan will abandon "a costly arms race," and carried an op-ed promoting the view of British Field Marshal Lord Carver that NATO abandon dependence on a nuclear response and build up conventional forces instead, with larger European contributions.

## Scientific pioneer honored at foundation event

Over 200 persons gathered at the Second Annual Awards Dinner of the Fusion Energy Foundation Nov. 6 to honor Dr. Adolf Busemann, a pioneer in aerodynamic and hydrodynamic research, and exponent of the method of geometrical and thermohydrodynamic analysis represented by the late 19th-century scientist Bernhard Riemann. Speakers at the event called for a renewed national commitment to classical science and restored excellence in American science education.

Four leading U.S. scientists who shared the podium with Dr. Busemann, now 80 years of age, were Dr. William Grossman of NYU's Courant Institute; Dr. Krafft Ehrlicke, founder of Space-Global Company of California; Dr. Daniel Wells of the University of Miami; and Dr. Friedwardt Winterberg of the University of Nevada's Desert Research Institute.

All are fusion scientists, except Ehrlicke, an expert on space colonization and industrialization.

In addition, telegrams of congratulations were received from the Secretary of the Air Force, the Vice-President of General Dynamics, and the West German Ambassador to the United States.

FEF Director Paul Gallagher told the gathering, "We have to ensure that there will be another generation of scientists to carry forward the work of Busemann and others like him into the 21st century."

Carol White, the Foundation's Director of Education, stated: "We have to work in a practical way to honor Dr. Busemann, by waging war against today's liberal education, as elaborated by Lyndon LaRouche, a founder and board member of the Fusion Energy Foundation."

Dr. Busemann, commended for both his science and sense of humor, told the audience: "I am very pleased to sit here today and hear that my ideas from decades ago are still working."

## Briefly

● **NEW HOME STARTS** fell to a 15-year low in October and, at the current rate of decline, will be at the lowest level in post-war history by the end of 1981. The number of single-family units built is at the lowest level since statistics on the subject were initiated.

● **UWE PARPART**, research director of the Fusion Energy Foundation, was extensively quoted in last month's Catholic publication *All (American Life Lobby)*, on the *Global 2000* report. "It is a very odd world indeed, in which every time a cow is born, we feel we are richer, and every time a child is born, we feel we are poorer." *ALL* quoted Parpart from a debate sponsored by *EIR* in Washington in May 1981. The *ALL* article was entitled, "Malthusian Madness: Planned Parenthood's Population Education."

● **LABORERS** International Union members in Binghamton, New York joined with representatives of the National Democratic Policy Committee Nov. 12 in a demonstration in front of the Federal Building there against *Global 2000*, the Carter administration document which claims the world has billions of "excess" people and they should be eliminated. Carrying signs that read, "Labor Rejects Global 2000," unionists interviewed by reporters told them flatly, "Global 2000 is anti-labor."

● **ADMIRAL** Hyman Rickover, father of the nuclear navy, was fired by Navy Secretary John Lehman, a Cambridge-trained Kissinger protégé who advocates a smaller, more primitive naval force. Rickover, director of the Navy's nuclear-propulsion program and Deputy Assistant Secretary of Energy for Naval Reactors, now 82, almost singlehandedly built the nuclear-powered navy, and has written many books advocating nuclear-oriented science education for American youth.

## Obstacles to Reagan's nuclear plans

*An assessment of the prospects for a revitalization of U.S. nuclear technology.*

**M**ore than a month has passed since the Oct. 8 policy statement by President Reagan on nuclear energy policy. However, the prospect for the survival of the vital nuclear power industry is more perilous than ever.

In the ongoing guerilla warfare against completion of plants already under construction, anti-growth strategists at the Aspen Institute, Ford Foundation, and Sierra Club, and their allies in Washington, rejoiced over the passage of state ballot referenda in Washington State and Austin, Texas.

Initiative 394 in Washington, while almost certain eventually to be thrown out as unconstitutional, requires a state voter referendum every time the five-state consortium of 22 utilities comprising the huge and embattled WPPSS nuclear complex needs to borrow on bond markets. In the past year, WPPSS, the largest single borrower in the long-term bond market, had to go to the bond market every eight weeks. If Initiative 394 is allowed to stand, it will certainly kill all five of the nuclear projects, and with them the prospects for any continued industrial growth past the middle of the decade in that energy-intensive aerospace region.

The Austin, Texas referendum, brought by various anti-nuclear groups and individuals after three previous unsuccessful challenges, means that that city must sell its 16 percent share of Houston Light & Power's 2,500-megawatt South Texas Nuclear Project near Bay

City, Texas. That project would provide electricity for the entire growing industrial region linking Houston, Austin, and San Antonio.

Several days after the Austin vote, Texas Utilities Company of Dallas announced the sixth upward cost revision for its twin Comanche Peak nuclear station. In doing so, the utility was also forced to revise estimated completion dates to 1984 for unit I and 1985 for the second of the 2,300 MW complex, from the 1982 and 1984 estimates of this year. The reason? Texas Utilities is one of the first in the country ordered to meet new seismic standards in design. As a result, almost 8,000 of some 45,000 pipe hangers in Unit I "are so complex that they must be redesigned and re-engineered on site," according to the utility. This \$300 million "modification" is a result of post-Three Mile Island insanities from the Nuclear Regulatory Commission. Comanche Peak is not even located near any earthquake zone!

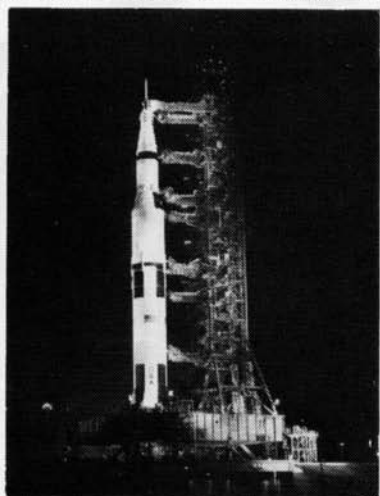
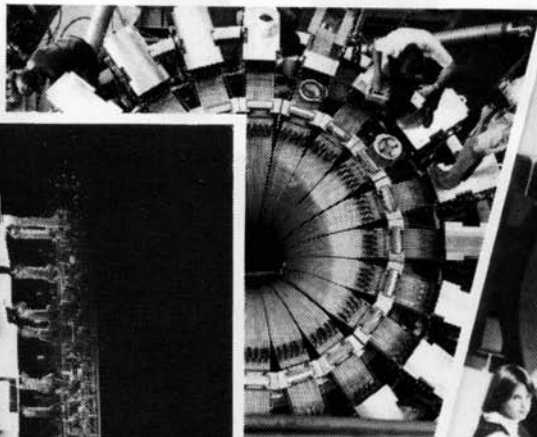
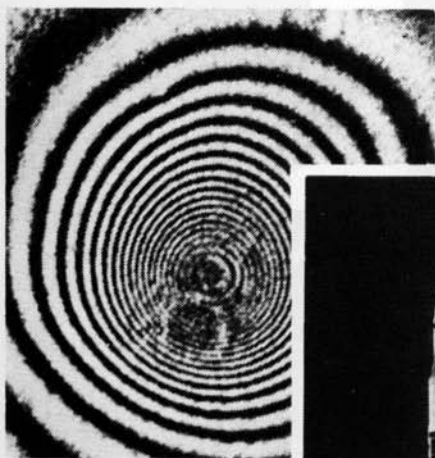
I cite these examples to underscore the danger of any illusions surrounding the issuance of a generally positive presidential statement on steps to revive the industry, illusions that the crisis is even on its way to solution. J. J. Scoville, president of U.S. Ecology in Louisville, Kentucky, a company involved in nuclear waste management, emphasized that "reasonably dramatic affirmative action" is required to revive our seriously crippled nuclear industry, such as highly favorable new preferential tax and other

economic incentives to utilities that order new nuclear units. He stresses the discrepancy between a statement of presidential policy intent and the massive bureaucratic "inertia" of state and federal agencies.

Indeed, as the anti-nuclear strategists have emphasized to their mindless drones in the anti-nuclear movement, the ongoing impact of Volcker's sustained double-digit interest rates is now the most effective weapon in the anti-nuclear arsenal. A recent closed-door conference of some 100 leading representatives from the major electric utilities, according to one inside source, polled its attendees. More than 90 percent announced that they "can't see the likelihood of ordering another nuclear plant *before the year 2000.*"

With nuclear vendors such as General Electric near the point of completely closing production facilities and dispersing qualified personnel, it is highly unlikely that these elective utilities could buy a nuclear plant in 2000 no matter what the price they might pay. William O. Doub, former commissioner with the old U.S. Atomic Energy Commission, and a widely regarded authority on financial and other problems of the nuclear industry, stressed in a recent speech that "The nation's electric power companies are in desperately poor shape financially. The industry is simply unable to generate internally the funds necessary to build the new generating stations which must be started now to assure adequacy of power supply in the next two decades when the requirements of an expanding work force and population will require far more electrical capacity than is now available or planned."

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