

EIR

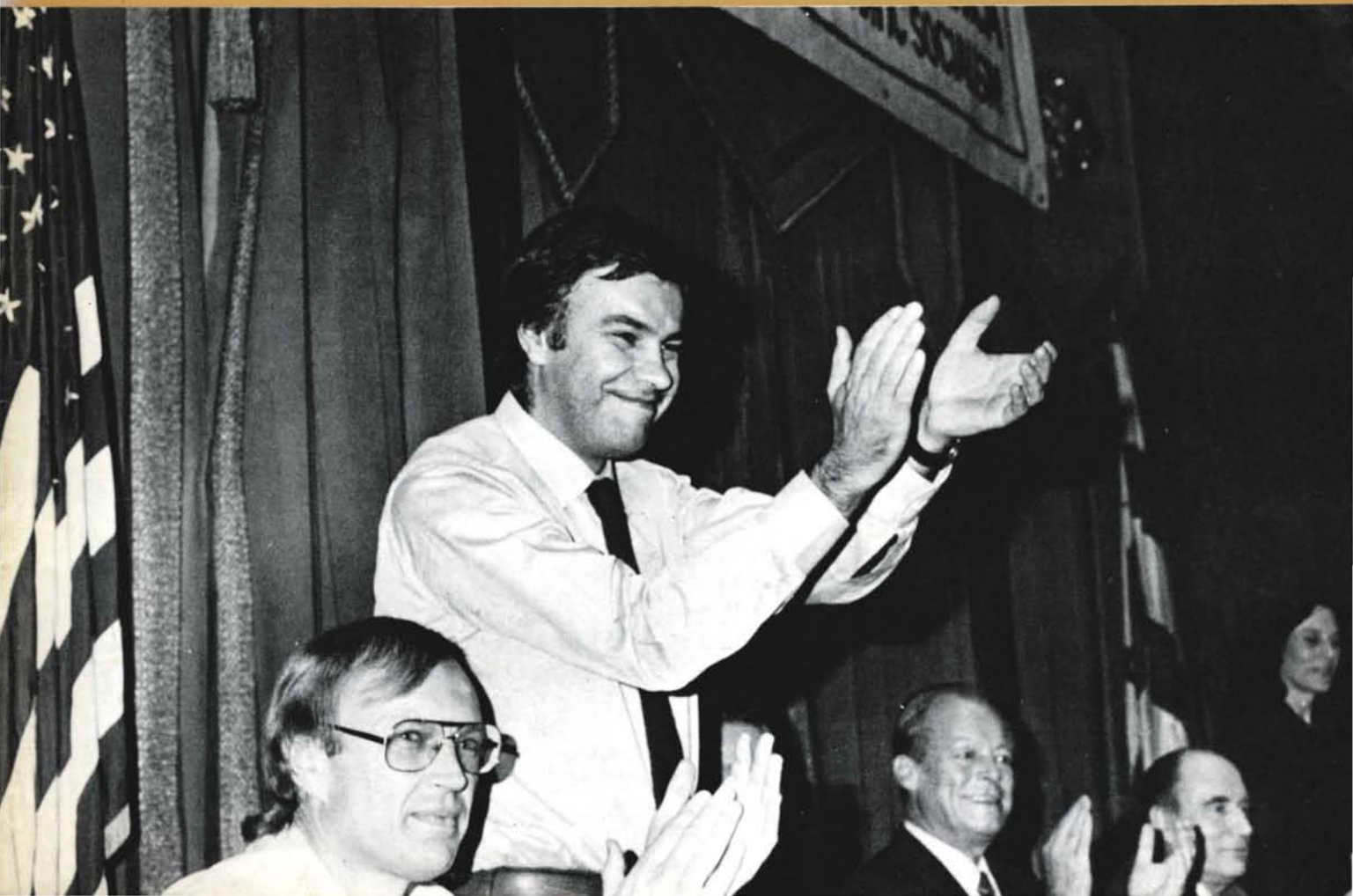
Executive Intelligence Review

August 10, 1982

\$10.00

Kissinger attempts another White House coup
LaRouche-Riemann model charts Colombia's growth
The promise of x-ray lasers for ABM defense

**Spain: resurgent nation-state
or socialism's next victim?**



EIR

The special reports listed below,
prepared by the EIR staff, are now available.

1. Prospects for Instability in the Arabian Gulf

A comprehensive review of the danger of instability in Saudi Arabia in the coming period. Includes analysis of the Saudi military forces, and the influence of left-wing forces, and pro-Khomeini networks in the country. \$250.

2. Energy and Economy: Mexico in the Year 2000

A development program for Mexico compiled jointly by Mexican and American scientists. Concludes Mexico can grow at 12 percent annually for the next decade, creating a \$100 billion capital-goods export market for the United States. Detailed analysis of key economic sectors; ideal for planning and marketing purposes. \$250.

3. Who Controls Environmentalism?

A history and detailed grid of the environmentalist movement in the United States. Analyzes sources of funding, political command structure, and future plans. \$50.

4. Prospects for Instability in Nigeria

A full analysis of Nigeria's economic development program from a political standpoint. Includes review of federal-state regulations, analysis of major regional power blocs, and the environment for foreign investors. \$250.

5. The Real Story of Libya's Muammar Qaddafi

A comprehensive review of the forces that placed Qaddafi in power and continue to control him to this day. Includes discussion of British intelli-

gence input, stemming from Qaddafi's training at Sandhurst and his ties to the Senussi (Muslim) Brotherhood. Heavy emphasis is placed on control over Qaddafi exercised by elements of the Italian "P-2" Masonic Lodge, which coordinates capital flight, drug-running and terrorism in Italy. Also explored in depth are "Billygate," the role of Armand Hammer, and Qaddafi's ties to fugitive financier Robert Vesco. 85 pages. \$250.

6. What is the Trilateral Commission?

The most complete analysis of the background, origins, and goals of this much-talked-about organization. Demonstrates the role of the commission in the Carter administration's Global 2000 report on mass population reduction; in the P-2 scandal that collapsed the Italian government this year; and in the Federal Reserve's high interest-rate policy. Includes complete membership list. \$100.

7. The Global 2000 Report: Blueprint for Extinction

A complete scientific and political refutation of the Carter Administration's *Global 2000 Report*. Includes a review of the report's contents, demonstrating that upwards of 2 billion people will die if its recommendations are followed; a detailed presentation of the organizations and individuals responsible for authorship of the report; analysis of how the report's "population control" policies caused the Vietnam war and the destruction of Cambodia, El Salvador, and Africa; analysis of environmentalist effort to "re-interpret" the Bible in line with the report. 100 pages. \$100.

EXECUTIVE INTELLIGENCE REVIEW

I would like to receive these EIR Special Reports:

Order Number(s) _____

Bill me for \$ _____ Enclosed is \$ _____

Please charge to my VISA Master Charge

Card No. _____

Signature _____ Exp. Date _____

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Telephone (_____) _____
area code

Make checks payable to:

Executive Intelligence Review, Dept. MC-1, 304 West 58th Street, 5th floor, New York, N.Y. 10019 (212) 247-8820.

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editor-in-chief: *Criton Zoakos*

Editors: *Nora Hamerman*

Managing Editor: *Susan Johnson*

Features Editor: *Christina Nelson Huth*

Art Director: *Martha Zoller*

Contributing Editors: *Uwe Parpart,*

Nancy Spannaus, Christopher White

Special Services: *Peter Ennis*

INTELLIGENCE DIRECTORS:

Africa: *Douglas DeGroot*

Agriculture: *Susan Brady*

Asia and Middle East:

Daniel Sneider

Counterintelligence: *Jeffrey Steinberg*

Economics: *David Goldman*

European Economics: *Laurent*

Murawiec

Energy: *William Engdahl*

Europe: *Vivian Freyre Zoakos*

Ibero-America: *Robyn Quijano,*

Dennis Small

Law: *Edward Spannaus*

Military Strategy: *Steven Bardwell*

Science and Technology:

Marsha Freeman

Soviet Union and Eastern Europe:

Rachel Douglas

United States: *Graham Lowry*

INTERNATIONAL BUREAUS:

Bogota: *Carlos Cota Meza*

Bonn: *George Gregory, Rainer Apel*

Chicago: *Paul Greenberg*

Copenhagen: *Vincent Robson*

Houston: *Harley Schlanger,*

Nicholas F. Benton

Los Angeles: *Theodore Andromidas*

Mexico City: *Josefina Menendez*

Milan: *Stefania Sacchi, Marco Fanini*

Monterrey: *M. Luisa de Castro*

New Delhi: *Paul Zykovsky*

Paris: *Katherine Kanter,*

Sophie Tanapura

Rome: *Leonardo Servadio*

Stockholm: *Clifford Gaddy*

United Nations: *Nancy Coker*

Washington D.C.: *Richard Cohen,*

Laura Chasen, Susan Kokinda

Wiesbaden: *Philip Golub, Mary Lalevée,*

Thierry Lalevée, Barbara Spahn

Executive Intelligence Review

(ISSN 0273-6314)

is published weekly (50 issues) except for the second week of July and first week of January by

New Solidarity International Press Service

304 W. 58th Street, New York, N.Y. 10019.

In Europe: Executive Intelligence Review,

Nachrichten Agentur GmbH,

Postfach 2308, D. 6200 Wiesbaden Tel: 30-70-35

Executive Directors: Anno Hellenbroich,

Michael Liebig

In Mexico: EIR,

Francisco Diaz Covarrubias 54 A-3

Colonia San Rafael, Mexico DF. Tel: 592-0424.

Japan subscription sales:

O.T.O. Research Corporation, Takeuchi Bldg., 1-

34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160,

Tel: (03) 208-7821

Copyright © 1982 New Solidarity

International Press Service

All rights reserved. Reproduction in whole or

in part without permission strictly prohibited.

Second-class postage paid at New York,

New York and at additional mailing offices.

Subscription by mail for the U.S.:

3 months—\$125, 6 months—\$225,

1 year—\$396, Single issue—\$10

Academic library rate: \$245 per year

EIR

From the Managing Editor

Spain, the subject of our Special Report this week, has vastly contributed to world civilization since its 11th-century age of scientific discovery and economic advancement launched by humanist Christians, Muslims, and Jews. Today, as a bridge to the Spanish and Portuguese-speaking nations in the developing sector, and a potentially galvanizing voice for sound policies within NATO and the European Community, Spain is at a turning point. The centrist ruling party, the UDC, already fraying around its edges, underwent a defection at the end of July by the faction headed by former Prime Minister Adolfo Suárez, who has formed a socialist-leaning splinter, the Social Democratic Center. It is more likely than ever that national elections will be called as early as September; and those elections could put the Spanish affiliate of the Socialist International into power, with the consequences so bitterly visible in Mitterrand's France.

European Editor Vivian Freyre Zoakos and Paris Bureau Chief Katherine Kanter assembled this Special Report following their June visit to Spain. It will give you a sense of the stakes involved.

In this issue's National section, we also include a brief report on Prime Minister Indira Gandhi's visit to the United States. Next week, we will cover her challenge to Americans to join India "to participate fully in the march of science, which is probably mankind's greatest enterprise."

The Special Report planned for next week's *EIR* is a refutation of the Club of Rome's "limits to growth" atrocities. The report will describe the next stage of development of *EIR*'s LaRouche-Riemann econometric model: precise analysis of energy throughputs and relative potential population densities for a given economy. Contributing Editor Uwe Parpart estimates that, on the basis of existing technologies, the globe is fully capable of supporting some *50 billion people*. This methodology will be accompanied by an historical study of how the Roman Empire's system of looting and slave labor led to such a lengthy technological stagnation and drastic population decline that the society was physically unable to reproduce itself. The demographic trends in the West today, particularly in the United States, will be shown to have moved in the same foreboding direction.

Susan Johnson

EIR Contents

Departments

- 34 Investigative Leads**
Qaddafi and neo-Nazis spur
terror outbreak
- 50 Middle East Report**
"Dr. Strangelove" in
Israel's cabinet.
- 51 Dateline Mexico**
The ABCs of
destabilization.

Interviews

- 25 Spanish Defense
Minister Alberto Oliart**
On the NATO command
there and NATO "out-of-
area deployments."
- 27 Spanish Interior
Minister Juan
José Rosón**
Spain is not unaffected by
the drug plague. Minister
Rosón calls it a conspiracy.
- 28 Eugenio Marín, head
of the Spanish
Employers' Association**
The need for an even more
aggressive nuclear program,
and the fallacies
of Malthusianism.
- 30 Antonio Garrigues
Walker, Spanish
Trilateral Commissioner**
Contending that the concept
of national sovereignty
is outmoded.

Economics

- 4 Britain declares world
banking in default**
The New York Federal
Reserve confirms the City of
London's policy of
"controlled disintegration."
- 6 Big Five banks near the
edge of the cliff**
Canada's bloated financial
institutions sit on top of the
fastest-shrinking economy
in the West.
- 7 Currency Rates**
- 8 Helmut Schmidt on the
depression danger**
Excerpts from his July 22
speech in San Francisco.
- 9 LaRouche-Riemann
model projects
Colombia's growth**
- 10 Capital investment and
education essential to
economic development**
Colombia is a case study.
- 12 The model results
for Colombia**
- 15 Banking**
Colombian scandal greets
new President.
- 16 'There will, too, be a
U.S. recovery!'**
A rejoinder to *EIR*.
- 17 Trade Review**
- 18 Business Briefs**

Special Report



Felipe González, head of the Spanish Socialist Workers Party, could be Spain's next head of government unless Spain's anti-Malthusians close ranks against a Socialist International resurgence there. González (standing) is shown here with fellow Socialist International chiefs Willy Brandt of West Germany (r) and François Mitterrand of France (far r) on the podium at a December 1980 "Eurosocialist" conference in Washington, D.C.

Stuart Lewis/NSIPS

20 Spain: resurgent nation or next socialist victim?

An overview of Spain's political constellations, and its international importance as a counterforce to those who want to make southern Europe part of a "Third World" subjected to enforced backwardness and fragmentation.

Documentation: Interviews with Spain's Defense Minister, Interior Minister, national employers' association chief, and Trilateral Commission representative.

23 How Spain can reach recovery and growth

A programmatic outline for the tenth most industrialized nation in the world.

International

32 The man behind the Middle East carnage

Editor-in-Chief Criton Zoakos on the Lebanon conjuncture and the phenomenon of Kissinger *redux*.

37 Henry Kissinger, Italy's Socialists, and the assassination of Aldo Moro

Part II of our first-hand coverage of the trial of the Red Brigades murderers of the Christian Democratic leader.

41 Mexico's insurgent PAN is a creation of the Inquisition networks in Central Europe

Its leaders are overtly pro-Nazi.

43 The controllers of Ayatollah Rios Montt

Including Gen. Vernon Walters and the sponsors of the Rev. Jim Jones.

46 The Frankfurt mafia

Part I of an exposé that travels from Swiss banks to the Lanksy mob in Florida back to West Germans like Walter Hesselbach, who has done so much to undermine the political parties there.

52 International Intelligence

National

54 The Sonnenfeldt ploy and the November coup plan

The policy content of the Kissinger faction's plan to take over the White House altogether after an electoral debacle for the GOP is: restoring the China Card, imposing economic corporatism, and accelerating the downfall of Helmut Schmidt Chancellor.

56 The promise of U.S. x-ray laser defense

If the American public were properly informed, they would support this genuinely "cost-effective" antiballistic missile technology. Energy densities are the key to its superiority.

59 Indira Gandhi in Washington, D.C.: a new opening

New Delhi Bureau Chief Paul Zykofsky reports from the nation's capital on the Tarapur agreement and the spirit of the Prime Minister's meeting with President Reagan.

60 Congressional Closeup

62 National News

64 Editorial

Keep Henry Kissinger out of Israel.

Britain declares world banking in default

by Kathy Burdman

The Bank of England and its Washington branch, the Federal Reserve, are threatening "precipitous retaliation against Italy," a senior Federal Reserve official said July 29, following the refusal of the Italian government to bail out the Eurodollar-market subsidiaries of the bankrupt Banco Ambrosiano of Rome. Britain's National Westminster Bank and Midland Bank declared Ambrosiano's offshore Eurodollar subsidiaries in Luxembourg and the Bahamas in default last month, and took losses of \$75 million and \$40 million, respectively.

The Bank of England, in retaliation, is encouraging British banks to also "walk away" from their offshore Eurodollar subsidiaries, New York Fed Vice-President Ed Frydl revealed, forcing major losses upon Italian and other offshore banks. "The British want to make an example of Italy," he said. "Banco Ambrosiano has created a precedent for walking away from bankrupt subsidiaries. Italy will not be immune from the consequences."

The Fed further revealed that it supports this policy, in order to create a "heightened perception of the risk in the offshore markets." The Bank of England and the Fed believe, he said, that the \$1.5 trillion Eurodollar markets are "overextended," and have lent far too much to Third World governments, Western corporations, and among banks to finance world trade.

The British and their Federal Reserve collaborators are, in short, engaged in a scheme to declare the world's offshore banking system in default, by "frightening lenders out of the offshore markets," as the Fed source put it.

Naturally such a confidence crisis will help bring dozens of weaker banks in the Eurodollar market over

the edge, and the Bank of England has announced that the U.S. government will be expected to foot the bill.

At a recent Bank for International Settlements meeting, and in all its pronouncements upon the Ambrosiano affair, the Bank of England has called loudly for an agreement on "lenders of last resort" among central banks, that is, an agreement as to which government is responsible to bail out which part of the Euromarket in case of banking failures. The British have made it clear that they want the U.S. Federal Reserve to print U.S. dollars, which the U.S. Treasury will have to make good, for bailout infusion into failing Eurodollar banks.

The British have no intention, however, of saving the international banking system as a whole. They are proceeding according to the insane plan that a controlled collapse of the offshore markets can be managed, if the U.S. government will bail out selected major banks to avoid an uncontrollable panic. This scheme has growing and vocal opposition in the United States, particularly from *EIR* Founding Editor Lyndon H. LaRouche. LaRouche has asserted that the Bank of England's request must be rejected absolutely by the U.S. Congress, despite what U.S. Federal Reserve Chairman Volcker may wish to do. No Eurodollar, LaRouche has stated, can be considered "legal tender" of the U.S.

Global shrinkage

The Bank of England and the Fed see the Ambrosiano scare as a "convenient crisis" to set into motion a plan announced by New York Fed President Anthony Solomon in 1980, Frydl stated, to force a "supranational agreement" among world central banks to "shrink

the Euromarkets." In a November 1980 letter to the Washington Fed, Solomon endorsed the creation of banking abroad could then be pulled back into IBFs, here in the United States, with the argument that U.S. banking abroad could then be pulled back into IBFS, terminating America's international banking role.

By creating such a U.S. fallout shelter, Solomon wrote, the Fed "would send a clear message that we take seriously the need for controlling the Euromarkets" and cutting world lending there. In an article in the spring 1982 Federal Reserve Bank of New York *Quarterly Review*, "The Eurodollar Conundrum," Frydl argued that the Fed must "increase the perceived risk" of offshore Euro-banking, to cut the "high rate of lending" there.

The Bank of England and the Fed consider the Banco Ambrosiano failure "convenient" in a way, because the refusal by the Bank of Italy to bail out Ambrosiano's offshore subsidiaries demonstrated that there is no "lender of last resort" for the offshore markets. "The news is that at least one central bank has announced it does *not* stand behind its banks abroad," Frydl said. "That creates a great deal of heightened perceived risk."

The Bank of England has conducted a campaign in the British press, charging that the Italian government is in violation of the 1975 Basel Concordat of central banks. Bank of England sources told the London *Financial Times* July 17 that under the Concordat, the Bank of Italy is responsible to act as "lender of last resort"—i.e., responsible for bailing out—Ambrosiano's offshore subsidiaries in Luxembourg and the Bahamas. On July 28, National Westminster Bank Chairman Robin Leigh-Pemberton told the bank's shareholders that NatWest and the Bank of England are "concerned" by Italy's behavior, which undermines "the effectiveness of the Basel Concordat."

But the Bank of England is playing a game to "point out the fact that there is *no* security in the Euromarket," Frydl stated. The Basel Concordat in reality commits signator central banks to no "lender of last resort" support whatever, and deals merely with bank supervision, he said. There is no central-bank agreement on bailouts, "and the Bank of England knows this perfectly well. They are using the case to point out that the West must reach a *global agreement* on how to control the world markets."

The Bank of England is "demanding immediate talks at the Bank for International Settlements in Basel on such an agreement, Frydl said.

The agreement would amount to world credit controls on international lending, according to Prof. Richard Herring, a consultant to the Fed and the Bank of England at the University of Pennsylvania's Wharton

School. "The offshore market should be put on its guard, by a statement issued by central banks that 'lender of last resort' facilities will be available only to domestic offices of banks and their branches, not to foreign subsidiaries," Herring said. "That will mean no one can make a move into the international markets without top-down surveillance by the Bank for International Settlements central banks. The central banks will take dollar-for-dollar supervision and control over every loan the private banks make."

The Fed for its part has already initiated a study to see "whether the Ambrosiano affair increases the flow of offshore dollars into U.S. IBFs," Frydl said. "We're expecting a major inflow, and the question is: To what extent can the IBFs *replace* the Eurodollar market? Now that everyone knows there is no lender of last resort out there, money will flee into the United States, since this country is perceived to be the least risky..."

The end of American power

The Fed scenario entails not only a "Fortress America," but the end of U.S. world financial leadership. Just as Britain's Margaret Thatcher goaded President Reagan into slapping sanctions on America's continental European allies' trade with the Soviet Union, the Bank of England is pushing the Fed's plan to shake the banking system. The end result will be the same: trade and financial warfare between the United States and its allies, in which the U.S. economy could be further destroyed.

First, the Fed is privately siding with the Bank of England on the Ambrosiano case, Frydl made clear—which constitutes an attack by the United States not only upon Italy, but upon West Germany, whose banks do most foreign lending in the Luxembourg offshore market where Ambrosiano has defaulted. The more the Fed and Bank of England raise the cry that there is no "lender of last resort" in Luxembourg, the faster banks there will experience runs on their deposits and loss of business. High on that list are the largest banks in West Germany, whom the British want to force to take defensive measures against the United States.

A U.S.-Europe banking war would result at an early date in European counter-measures against American banks which could bankrupt major U.S. institutions.

The Fed also plans to sit by while the British banks "make an example of Italy," Frydl said, giving tacit encouragement to U.S. banks abroad to join in an imminent British bankers' move to cut Italy off world credit markets. "Bankers in London and elsewhere will raise the costs of funds to the government of Italy for its international loans," he said. "Italian private banks who borrow for the government will be ostracized, too."

Big Five banks near the edge of the cliff

by Richard Freeman

By autumn, Canada may have its most spectacular bank failure since the 1930s. The Canadian Imperial Bank of Commerce (CIBC) will probably collapse. As of the end of 1981, the CIBC had assets of \$66 billion Canadian or about \$52 billion American (\$1 U.S. equals \$1.28 Canadian), making it one of the largest banks in the world.

The gentlemen who run Canada's Privy Council—the real power in Canada, which makes decisions for Prime Minister Trudeau on behalf of Queen Elizabeth II—look toward a CIBC failure not as a domestic calamity, but as a lever to collapse the American banking system, should the Crown decide to go all the way with its plans to destroy the United States as a sovereign industrial superpower.

"A Canadian bank failure will spread like brush-fire to the U.S. and the rest of the world," stated Richard Coughlin, editor of the Toronto-based investment newsletter *Bank Credit Analyst*, one of the leading Anglo-Canadian think-tank operations. Coughlin confirmed that Canadian banks have borrowed \$25 to \$50 billion from American banks on the interbank market. Chase Manhattan, Citibank, Bank of America, and so forth, made three- to six-month loans to Canada's Big Five banks—Toronto Dominion, Royal Bank of Canada, Bank of Montreal, Bank of Nova Scotia and Canadian Imperial Bank of Commerce—or to their subsidiaries. Those banks account for no less than 90 percent of the assets in Canada's banking system. Were a major Canadian bank like CIBC to fail, its interbank loans would be in default. "The U.S. Federal Reserve Board would have to come in and bail out the mess," stated Coughlin.

The collapse of the Canadian banking system is already under way. On July 8, a member of the British Columbia provincial legislature announced on the floor of that body a rumor that CIBC was close to receivership. The next day, investors withdrew \$148 million from the bank. In Newfoundland, a large run started at the branches of the Bank of Nova Scotia was only quelled

when the bank's chairman issued statements assuring the public that the bank was sound. The chairman of the Royal Bank of Canada, Roland C. Frazee, sent letters to hundreds of branch managers instructing them on what to say to worried depositors.

An overview

Canada is in the worst post-Depression debacle of any advanced-sector country. Every energy program and raw materials-extraction scheme to loot this territory—Canada is barely a nation—has failed. A quick survey of Canada's economy shows that it is in the midst of self-feeding collapse:

- The prime rate charged by banks is 18.6 percent; the rate on mortgages for homes is 19.75 percent; and the rate on three-month Treasury bills is 16.5 percent, as of the end of July.

- One and a third million Canadians were officially unemployed this June, out of a total labor force of 11,902,000. That is a 10.9 percent unemployment rate.

- The bankruptcy rate in Canada is two and a half times the U.S. rate for individual firms, and America's rate is the highest since 1933. Half of Canada's mines will be shut down by autumn. Thirty percent of the country's lumber industry is already idle.

- The value of the stocks on the Toronto Stock Exchange had fallen 42 percent, again comparing June 1982 with June 1981. Oil stocks had fallen by more than a third, wiping out \$11.5 billion in paper values. Bank stocks fell by 29 percent; transport 44 percent; real estate 46 percent. All told, the fall wiped out a nominal \$66 billion in stock holdings.

- Corporate profits in the first quarter of this year plunged 59 percent from the level of profits in the first quarter of 1981. And profits in the first quarter of 1981 had already fallen 25 percent from the first quarter of 1980. Of the top Canadian companies, 22 had outright losses and 34 had declines in profit in the first quarter of 1982.

- The Canadian dollar has been under severe attack—the Canadian government spent \$2.9 billion in June to try to stop its fall. But on June 28 the government announced a federal budget deficit for this fiscal year of C\$19.6 billion, which, were Canada the size of the United States, would translate to a U.S.\$200 billion deficit, or double the largest deficit that the Reagan administration has produced.

The Big Five's bad loans

It would be remarkable if, with its industry withering under 18.6 percent prime interest rates, and the speculative natural resources' and real-estate side of the economy falling into oblivion, the Canadian banks could escape collapse.

The most likely to go is the Canadian Imperial Bank

of Commerce, as stated above. CIBC's immediate problem is a Dome Petroleum default on its more than \$1 billion in debts by September.

The Big Five Canadian banks have lent Dome \$4 billion. They only have \$9 billion in capital (stock value of their own banks, plus retained profits). Were Dome to totally default, half the capital of the Big Five—and they comprise 90 percent of the banking system—would evaporate. Of course some of these loans are secured against assets, but in a deflated oil market the value of such assets dwindles.

Dome is not exactly a special case. During the post-1978 period, when takeovers, financing, real-estate loans, and lending to oil firms went on at an increasingly frenzied pace, the Canadian banks were hardly examples of "prudent lenders." In July 1979, total loans made by Canadian banks to Canadian consumers and corporations totaled \$73.6 billion. This zoomed to \$120.6 billion, an increase of 64 percent, by November 1981. Since that time, under the monetarist regime of Bank of Canada chief Gerald Bovey, the level of loans has stagnated.

CIBC, in addition to its \$1.4 to \$1.8 billion in loans to Dome, made \$400 million in loans to Massey-Ferguson and \$500 million in loans to Turbo resources. Royal Bank of Canada made \$400 million or more in loans to Sulpetro oil. And so on.

The danger is not only that these and other loans will go bad, but that at a certain point, the Big Five banks will not have enough funds to cover their bad loans without calling back outstanding loans to other companies. This could also happen if depositors began withdrawing funds from the banks. Calling in loans during a depressionary collapse is the process by which a banking crisis explodes. Hugh Brown, a leading bank analyst with the Toronto investment dealer Burns Fry stated July 6 that the banks "have less ability now to survive a depression than they did in 1933."

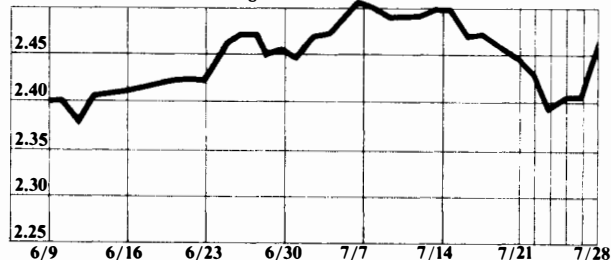
Many Canadian bank analysts are reporting that Canadian banks will have to report \$1.5 billion in bad-loan losses this year. And, according to the Toronto-based McCarthy Securities firm, another \$5.3 billion of loans do not currently pay interest. These loans become defaults if the recession deepens. The Canadian banks also have a very large exposure to Third World debt—perhaps a third of the Big Five bank loans are international loans.

Bank Credit Analyst's Richard Coughlin reported July 23 that the Canadian government might try to save CIBC by nationalizing the bank. However, even were that to happen, "there would be tremendous repercussions for the international banking system," he said. Canada might default on a portion of the \$25 to \$50 billion in loans that it owes U.S. banks on the interbank market.

Currency Rates

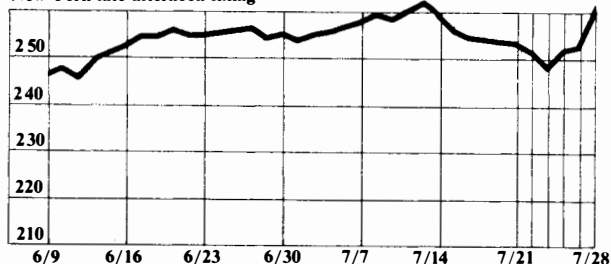
The dollar in deutschemarks

New York late afternoon fixing



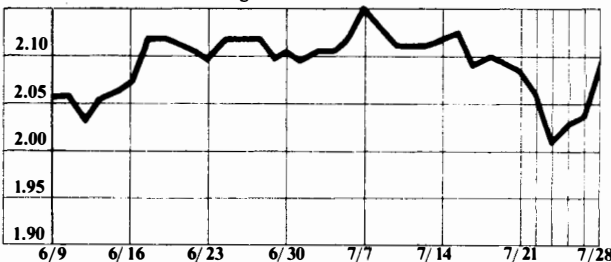
The dollar in yen

New York late afternoon fixing



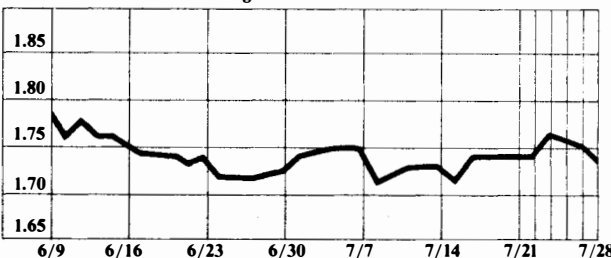
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Helmut Schmidt on the depression danger

West German Chancellor Schmidt took the same message he gave to his colleagues among heads of state at Versailles in June to a San Francisco audience July 22.

The German leader states bluntly in the excerpts printed below that America's high-interest-rate stance will bring about a world depression; that America's responsibility is to make the world economy work as a matter of its primary national interest.

But Schmidt limits his own effectiveness in suggesting solutions: where high interest rates are concerned he can do no more than wrongly recommend more budget cuts, something he must suspect cannot happen in any event. While he calls for a greater American role in world development, he nonetheless deplores population growth, which is a precondition for development. The genial Chancellor therefore has cast himself in the classic role of the reasonable man who cannot imagine why his friends and neighbors are taking such actions as to undermine both themselves and him.

Excerpts follow from the speech, titled "Responsibility and Cooperation in the World Economy," the Chancellor delivered before the Bay Area Council in San Francisco, California. Emphasis are in the original pre-released transcript.

... In the tense relationship between West and East the *economic basis of free societies is of strategic importance*. Economic policy is therefore at the same time security policy, not only and not even primarily in the sense that you need money to pay soldiers and to buy weapons. *International policy is indivisible*. . . .

[T]here can be no doubt that the industrial nations of the West are under great economic and social strain. All of us suffer from *unemployment* that is higher than at any time since the 1930s. . . . If high budgetary deficits, the overstraining of financial markets, and hence much too high interest rates in the U.S.A. continue, a second worldwide depression will become probable. . . .

People are becoming increasingly concerned and

fearful. . . . I need only recall the growing drop-out mentality observable in many countries, the increasing criticism of technical progress and the uncompromising rejection of new technologies. These trends have to be taken seriously, precisely because they could ultimately endanger our whole system. . . .

Instead of joint exertions to resolve the problems the world could drift onto the *downhill path of economic disintegration*. This would be tantamount to a return to the 1930s. And we have almost reached the point of lapsing into begging one's neighbor. To be frank: *my greatest concern is that the West will plunge from recession into depression*. . . .

There should be no trade protectionism, neither in steel nor in agricultural products, neither in cars nor in electronic equipment. *There must not be a trade war*: neither among North America, Europe, and Japan, nor vis-à-vis the oil-producing countries, nor in relations with the East. . . .

The Federal Republic's trade with the East, especially with the Soviet Union, has often been wrongly assessed in the United States. . . . As regards the gas pipeline deal between Western European companies and the U.S.S.R., there is no likelihood of our becoming dependent on the U.S.S.R. for energy supplies. Only 5 to 6 percent of Germany primary energy consumption will be fed from Soviet sources in the late '80s. The gas imports will diversify our vulnerability by reducing our dependence on imported oil. . . .

We cannot afford to break existing agreements. Thirty marks out of every 100 marks of our GNP are [earned] abroad by exporting German value added. Who would still want to trade with us if we broke our contracts? . . . By claiming the right to extend American law to other territories [the sanctions effort], it [the U.S. administration] is affecting not only the interests of the European trading nations but also their sovereignty. The fact that this decision was taken without consultations does not make it easier. . . .

All industrial nations are expected to show special consideration for our economic relations with developing countries. Further development aid will remain indispensable. . . . We know that development aid will prove futile if the population explosion in the countries of the Third World is not curbed or halted completely. . . .

No country can fully evade the effects of the high American interest rates. I have already mentioned the fact that there are 1,600 billion U.S. dollars in circulation on the Euromarkets. Seventy-one percent of these credits are being denominated in U.S. dollars. . . . Thus, when dollar interest rates are kept at a high level owing to the budget deficit, this irresistibly affects interest levels in the other countries. . . . These interest rates hamper productive investment not only in the United States, but also worldwide. . . .

LaRouche-Riemann model projects Colombia's growth

On August 7, Colombia's President-elect Belisario Betancur will take office amid great expectation in the country that a decade-long era of political and economic corruption may finally be brought to an end. Just two weeks after Betancur's upset victory over the Liberal Party's López Michelsen, on May 31, this magazine, in collaboration with the Fusion Energy Foundation, sponsored a seminar in Bogotá titled "Colombia 2000: A Program for Accelerated Development." The seminar, attended by corporate, academic, press and government economic and planning specialists, presented a detailed development program for Colombia between now and the year 2000.

Based on the econometric methodology of the LaRouche-Riemann computer model, the program includes a historical analysis of the recent performance of the Colombian economy with computer projections through the year 2000. The program itself, as presented by FEF Research Director Dr. Uwe Parpart, stresses the urgent need to direct investment into capital-intensive, high-technology industry and infrastructure. It also deals with the questions of energy and skilled labor shortages which threaten to become major bottlenecks for Colombian development unless they are immediately addressed. It elaborates an intensive educational program premised on the natural sciences as critical to the recommended industrialization process and contains a critique of the "import substitution" model of Raul Prebisch, which was adopted by Colombia several decades back.

The defeat of the Liberal Party machine in the recent presidential elections was due to the long-standing identification of its candidate, former President López Michelsen, with the speculative activities that have undermined Colombia's economy—in particular the burgeoning drug trade. If the incoming Betancur administration is to reverse these practices and revive the Colombian economy, it will have to be on the basis of an economic program such as the one we present here.

The LaRouche-Riemann model-generated development program for Colombia is available in its entirety from our Special Services Department. Please contact Peter Ennis, at (212) 247-8820, extension 749.

Capital investment and education essential to economic development

by Uwe Parpart, Contributing Editor

The Colombian economy has reached a critical branching point. While estimates vary of Colombia's total coal reserves, there is no question that these reserves are huge and that the country is now on the verge of becoming a major coal exporter. Nickel, copper and uranium will also soon add to Colombia's export earnings, 60 percent of which are now still based on coffee. This large increase in the near future in export earnings from coal and other mining products defines the single greatest challenge to the Colombian economy and to the Colombian nation in the decades between now and the turn of the century.

On the one hand, these earnings can be invested for rapid development of the domestic capital-goods sector and of necessary infrastructure, including expansion and qualitative improvement of the educational system. Based on such an investment policy, Colombia will well before the year 2000 be transformed into a modern, industrialized nation, principally exporting manufactured goods rather than simply raw materials. Only the fact that the country is relatively sparsely populated and that the population growth rate has slowed down significantly in recent years could become a negative factor and slow down development for lack of an adequate workforce.

On the other hand, foreign earnings can also be wasted on the further proliferation of consumer goods, domestic or foreign speculative investment, as for example, in real estate or the illegal drug trade, or short-sighted and useless attempts to combat unemployment and stave off social unrest by sinking capital into small-scale, labor-intensive industrial and agricultural projects. In this latter case, potentially beneficial export earnings will only become the source of runaway inflation and social and political instability, opening the country to a process of so-called Iranization, which is now in an advanced phase of being played out in Mexico.

It will be useful to briefly digress here and discuss the Mexican problem, because Mexico faced the same choices now confronting Colombia only a few years ago. For both internal and external political reasons the

correct economic policy decisions were not made, and quite lawfully the present severe economic and social crisis ensued.

The Mexican problem

The large oil discoveries of the mid-1970s presented to Mexico the unique opportunity to accelerate the progress of heavy industry and infrastructure development initiated under President Echeverría. Nor can there be any question that important progress in this direction was made during the past several years. However, *there can be nothing arbitrary in the process of successful industrialization*. Rigorous requirements of financial and investment policy, project management and manpower development leave little latitude and define a very specific path to be followed.

Mexican political leadership was not found equal to the task. While oil revenues in part were reinvested in oil and petrochemical development, large projects in heavy industry and infrastructure (transport, energy) experienced ever-longer delays. Debilitating supply bottlenecks developed, adding a sizeable domestic component to the world inflation rate. Necessary food imports resulting from neglect of agricultural modernization in much of the country further fueled inflation, which reached a rate of 35 percent in 1981. At the same time, the light-industry consumer-goods sector, aided by a strongly foreign-controlled banking system, greatly profited from the oil bonanza, but did not reinvest profits domestically. Enjoying high protective tariffs, these industries found it unnecessary to make new investments at home and instead sent their profits abroad for speculative ventures. Further debasement of the Mexican currency was the inevitable consequence. When a combination of rapidly declining oil prices and high interest rates hit this already structurally unsound edifice, the entire weakness of a monoculture-plus-consumer-goods economy with no domestic capital-goods backup came to the fore.

The Malthusian argument against development

To prevent any possible misunderstanding of this discussion of the Mexican situation, the difficulties experienced by the Mexican economy definitively do *not* prove that the oil boom or, more generally, "too rapid" economic growth, causes inflation and instability. Such arguments are put forward to obfuscate the distinction between sound nation-building economic policies and essentially neo-colonial and Malthusian *desarrollista* ("development") strategies. By claiming that all forms of rapid economic development must lead to disaster, the neo-Malthusians hope to discredit and prevent the historically unique type of economic development which has been proven successful, be it in Germany, the United States, Japan or more recently, Korea: the fastest possible *capital-intensive* industrialization, powered by the most *advanced technologies* available, backed up by *large-scale infrastructure projects* and the strongest emphasis on both *basic natural science* and *engineering education* of the kind exemplified by the 1790s and early-1800s Ecole Polytechnique of France.

That this is the uniquely successful model of economic development is a matter of historical record. However, beyond that we can categorically assert that it is the *only possible* successful model, because it alone represents a truly human form of economy. It is no accident that a country whose economy is based on the exploitation (cultivation) of one or two natural resources (crops) and an accompanying consumer-goods sector, has the educational structure and output to be found in Mexico or Colombia today, producing large numbers of administrators, lawyers and social scientists, moderate numbers of engineers, and virtually no physicists. An average industrial nation produces approximately five times as many natural scientists per capita as Colombia and Mexico.

It is the development of the capital-goods sector, the development of new technologies, the invention and production of machinery capable of producing consumer goods or of mining coal, which requires natural scientists and large numbers of engineers.

Judged from the standpoint of such necessary requirements, Colombia, as do most other developing sector countries, has a long way to go. However, in comparison to many other developing nations, the starting conditions for Colombia are considerably more favorable. Coal and other mining products convertible into foreign exchange for import of necessary capital goods have already been mentioned above. A second great advantage is the high degree of urbanization of the Colombian population, close to 65 percent of whom now live in sizeable cities. This is comparable to many advanced-sector countries, greatly aids the delivery of educational, health and other services, and makes un-

necessary very large initial investments to cope with the subsistence agricultural sector.

Education and manpower development: the first challenge

Since the Colombian government, according to the recently published *National Energy Study (ENE)* and other sources, will be putting broad emphasis on coal and hydro-electric development in the coming years—about 50 percent of all public investment will flow in this direction—it will be useful to give a brief critical evaluation of this strategy from the standpoint of the proper framework for economic development we have put forward.

There is no question that undertaking large projects of the kind exemplified by the Cerrejon coal project (see box) is the right course to take. And initially, infrastructural development as well as capital-goods development should be geared toward guaranteeing the success of such projects. This must not, however, lead to the old colonial model of "a mine, a railroad to the nearest port, cheap labor—and the country itself will never see the benefits."

The big challenge is diversification, which requires both a well-balanced investment policy and, from the outset, full attention to the manpower problem. Ultimately it is not resources, but skilled manpower, that defines the wealth of a nation. Appropriate model institutions combining instruction and advanced research, must be newly founded or evolved out of existing colleges and universities. Primary and secondary curricula must at the same time be overhauled to satisfy the standards set by these leading institutions.

From this standpoint of necessary high-technology capital goods and quality science education development, it is a cardinal mistake when the *ENE* states that "at least until the year 2000, the operation of nuclear plants appears inconvenient."

Nuclear technology, because it represents the highest form of energy technology characterized by the greatest energy flux density, not only represents the cheapest and most versatile method of energy production. It simultaneously exemplifies all forms of high-technology development and provides indispensable experience not just in nuclear engineering, but in materials science, complicated guidance systems, advanced machine tools, etc. A modern industrialized nation without experience in nuclear technology is as unthinkable today as a nation trying to develop without steam power in the 19th century.

A development program prescribed in the spirit of the methodology laid out above is the indispensable cornerstone of Colombia's successful transition to the status of a modern, industrialized nation-state.

The model results for Colombia

by Peter Rush

Ten years ago, the Colombian economy was on the verge of what could have been an era of accelerated economic growth in which manufacturing industry would have reached annual growth rates of 10-12 percent, levels of growth required to achieve constant economic advances. During the first years of the 1970s, the economy showed a tendency toward investment in heavy industry, but the 1975 Tax Reform under President López Michelsen, and the rapidly growing interest rates imposed during the last half of the decade, left the economy seriously disadvantaged to resume the process of accelerated growth.

These problems were compounded by the pernicious influence of the growth of the drug trade and the mushrooming of the so-called financial sector, and real growth finally ceased in the last 18 months of the outgoing Turbay administration. Production of textiles, autos and steel plummeted.

The root cause of Colombia's present stagnation is the failure during the past 15 years to move rapidly from an initial boom in light industry and chemicals in the first half of the 1970s into heavy industry, capital goods, and related high-technology fields. The program for Colombia developed by the *EIR* and the Fusion Energy Foundation is based on creating, rapidly, the absent heavy

industry base for development. The program outlined is expected to result in a six-fold growth in physical output between 1982 and 2002 (see Figure 1), representing a 10.6 percent annual rate of growth.

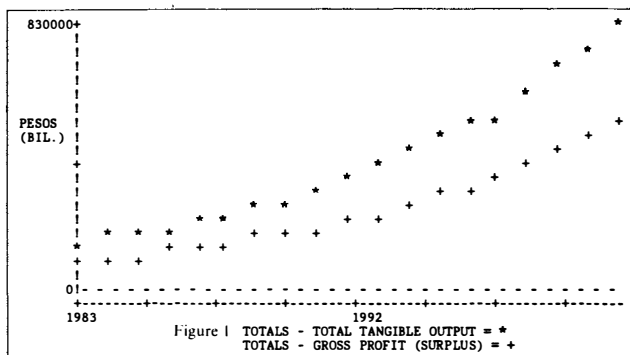
The heavy industry rationale

A light industry-based economy is inherently stagnant. The most developed countries have two-thirds to three-fourths of their total industrial output devoted to heavy industrial production. Colombia's proportion is well under one-fourth. Until a heavy industry sector is created, a nation is dependent on imports for all such items, to the point imports balloon out of proportion to ability to export to pay for them.

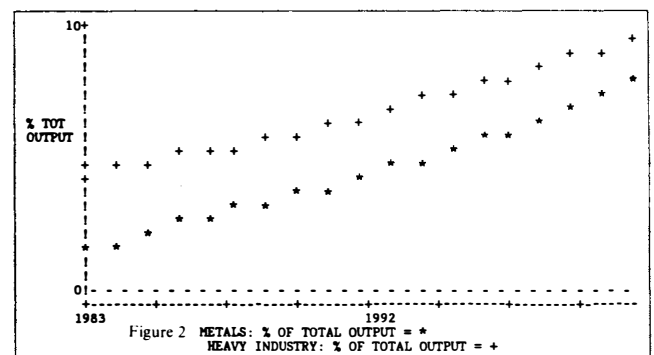
Heavy industry as here discussed, is comprised of: steel and non-ferrous metals (all stages of fabrication), machine tools, machinery making, heavy equipment construction, heavy electrical machinery, vehicles; ship-building; high-technology instruments, and computers. These are the sectors that originate productivity advances for all sectors of the economy, including light industry itself. Equally important, heavy industry produces the steel, cement, and machinery for infrastructural projects which are a rapidly growing source of demand. Finally, only these industries force the production of thousands of scientists, engineers, and technicians, and millions of skilled workers, without which any economy is doomed to low technological levels, and without which any economy is incapable of assimilating the advances of subsequent periods of development.

Creating Colombia's 'Ruhr'

Heavy industry is best developed in concentrated pockets, at first, where geography and resources define the most efficient production sites. In Colombia, such a location is the northern littoral along the Atlantic coast from the Guajira Peninsula across to Cartagena. The



Total economic output 1982-2002: Total tangible output of overall economy, roughly equivalent to value added of *productive* (physical output-producing sectors plus construction and transportation) sectors of the economy, and total gross profit or surplus, defined as total output net of consumption by labor (roughly equivalent to labor costs).



Metals and heavy industry, percent of totals 1982-2002: Output of metals (steel and non-ferrous) and heavy industry sectors as percentages of total output. Shows dramatic proportional increase in importance of both sectors.

industries to be developed include:

Steel: Huge coal deposits exist in the Guajira, can be transported by water or rail; very large Venezuelan deposits of iron ore can be brought by sea; output can be shipped to interior of country by river and rail.

Machinery: Machinery-making industry will utilize the steel to begin manufacture of other machines, including machine tools, power equipment, and machinery for new factories.

Chemicals: Both inorganic industrial chemicals and petrochemicals will be greatly expanded.

Nuclear Power: One or two nuclear plants, serving as foci for agro-industrial complexes ("nuplexes"), will provide some of the power required while serving as the base for very high-technology production and research.

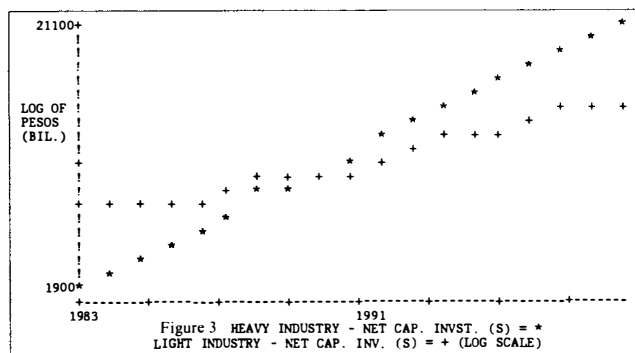
Satellite industries: The density of heavy industries will create a demand for a host of satellite industries of all descriptions, including vehicles, pipelines, urban and transportation infrastructure, and consumer goods for the population that will move into the area.

It is anticipated that steel production capacity by 2000 will be between 15 and 20 million tons (up from less than 250,000 tons in 1981), while heavy industry output will increase more than thirteenfold.

This growth will transform the structure of the economy. The share of metals (steel and non-ferrous) in the total economy will grow substantially (Figure 2), and will absorb, by 2000, more than twice the investment resources required by light industry (it now absorbs about one-tenth) (see Figure 3).

Energy and infrastructure

Coal reserves estimated to be the largest in Latin America will do for Colombia what oil has done for some of the OPEC nations (see box on the Cerrejón coal fields and Figure 4). Very substantial inland coal resources will also be developed for export and power.



Investment in light and heavy industry, 1982-2002: Investment in light industry and heavy industry, on a logarithmic scale, showing the relative reversal in priorities. At present, heavy industry receives almost no investment. In 2002, heavy industry investment will be about double that in light industry.

The world's largest coal mine

Colombia, with national coal reserves estimated at 11 billion metric tons, is on the verge of becoming one of the world's leading exporters of high-grade coal. Exploitation will soon begin of what is reported to be the world's largest coal mine, El Cerrejón, located on the northeast peninsula of Colombia known as La Guajira.

El Cerrejón, which contains proven reserves of more than 1.6 billion metric tons of low-ash, low-sulfur and high-BTU (11,800 BTUs per pound) coal, will cost some \$3 billion to exploit, including project infrastructure consisting, among other things, of a 90-mile diesel-electric railroad, a coal-loading port, employee living facilities, and an electric power distribution grid.

The mine is being developed jointly by the state mining agency Carbocol and the Exxon subsidiary Esso Inter-America Inc., the latter operating through its wholly-owned Colombian affiliate Intercor. Carbocol estimates that the mine and related projects will employ as many as 8,000 workers, while Exxon believes that eventually 30,000 people will be either working directly at the mine or servicing its employees.

First contract to Spain's Carboex

Although the mine will be undergoing exploitation in stages, the first substantial contract for delivery of 350,000 tons of coal by year's end has just been signed with the Spanish company Carboex. That coal will come from the central zone of El Cerrejón, which will begin production at the end of July. Another contract with Carboex, for delivery of 600,000 tons of coal per year for the next 10 years, goes into effect in 1986, when the main northern zone of the mine is scheduled to begin production. That zone is expected to produce 15 million tons of coal a year.

Coal will also be exported to the United States, Western Europe, Japan, Brazil, and other Latin American countries, and Carbocol hopes to be providing a full 10 percent of the 600 million tons of coal that will be exported worldwide by the year 2000. To meet that goal, Carbocol is financing feasibility studies and exploratory projects across Colombia, with at least 11 different zones believed to have major potential.

Hydropower resources are also mammoth, and need to be developed even more rapidly than now planned. In total, electricity output should increase eightfold, from 20,000 gigawatt hours to 160,000 gigawatt hours—to provide the equivalent of 4,000 kilowatt hours per capita. This represents an 11 percent annual rate of

increase, comprised in the main by hydro, secondly by coal. Industrial consumption of electricity should increase thirteenfold—a 14 percent annual increase. Energy growth will be speeded by several nuclear plants.

Investment in transportation infrastructure has been extremely low in relation to need throughout Colombia's history. Colombia needs to expand its rail system, doubling the mileage over the next 20 years from 6,000 to 12,000 kilometers, to connect all the cities west of the Amazon; double-tracking the main lines and building certain essential links, most importantly a transmontane link between the two main river valleys, which would give Bogotá an outlet to the Pacific. Only 20 percent of the nation's roads are paved, which must be increased to 50 percent, while the entire length of the road system needs to be doubled. River dredging of the Magdalena River will again make that artery useful for transportation, while very large investments in port expansion will be needed to handle a twelve- to fifteenfold increase in port throughput by 2000.

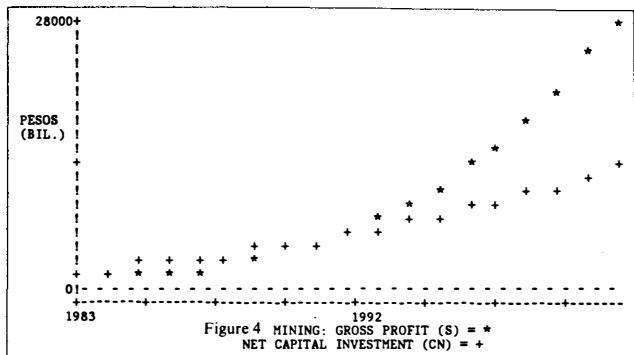
The significance of this investment is not calculable on a "cost-benefit" basis, because the "product" of infrastructure is productivity itself, that is, the increases in productivity and efficiency of the overall economy and its leading sectors, and as such can be skimmed on only at the expense of later self-sustaining growth.

Agriculture

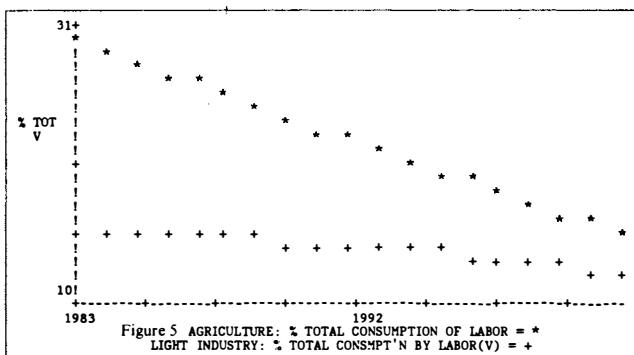
Finally, agriculture will become transformed, even while shrinking as a percentage of total output (see Figure 5). Large-scale water control projects, including the many large and small dams that will be constructed for power production, will permit controlling the Magdalena and Cauca Rivers, and hence reclaiming for agriculture the lower river valleys just south of the new industrial region. The cattle now grazed there will be displaced to the Transcaudillera plains in the Orinoco watershed, and replaced by a wide variety of tropical food and industrial crops. The opening up of several million hectares of new land, provided with irrigation, power, and machinery, will transform agriculture throughout the country as farmers move into the area, forcing mechanization in the presently cultivated lands as labor becomes short.

With this program, Colombia's real living standards will be able to grow by more than 5 percent a year, and output per worker will increase rapidly. The internal efficiency of the economy will improve dramatically, as shown in Figure 6, which graphs total output in relation to total consumption of labor.

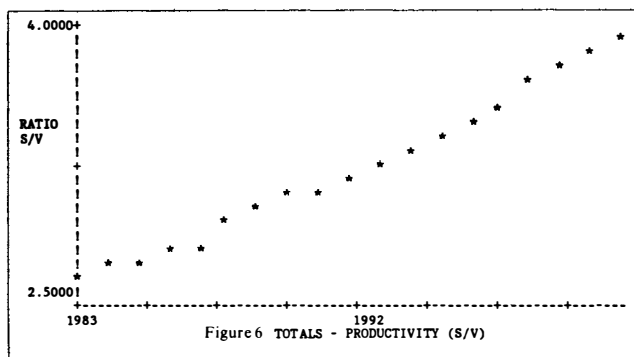
This means that real economic surplus, available both for new investment and to sustain a growing percentage of teachers, doctors, scientists, and engineers, will grow as a percentage of total output, a conclusive measure of healthy development.



Profit and investment in mining: Gross profit (surplus) and net capital investment in mining, which is primarily the development of coal resources. Graph shows how after 1990, profit exceeds investment and becomes large net surplus for investment elsewhere in the economy.



Decline of agriculture and light industry: Labor compensation in agriculture and light industry, as a percentage of total consumption by labor. Shows structural decrease in relative importance of these two sectors, also reflected in value added and surplus.



Productivity of overall economy 1982-2002: Productivity, measured as surplus divided by consumption by labor, shows continual rise to level commensurate with developed countries by 2002. Shows growing portion of output available for reinvestment in growth.

Colombian scandal greets new President

The collapse of the Grupo Colombia financial house could pave the way for a purge of the Dope networks there.

Last month's collapse of one of the largest financial conglomerates in Colombia—the "Grupo Colombia"—has opened up a scandal that could provoke a long-overdue clean-up of that country's drug-and-speculation ridden economy.

The Grupo Colombia was bought up five years ago by one Felix Correa Maya. Since 1977 it has accumulated assets of \$583 million and acquired control of 50 companies, banks, and financial houses. According to one U.S. banker familiar with Colombian finances, "Three years ago no one heard of Correa's group. Today it lists as the sixth largest financial group in the country."

As part of its standard operating procedure, the Grupo Colombia used the savings deposited at high interest rates in its financial houses like Furatena to speculate and buy up at bargain-basement prices the companies that were unable to survive the interest-rate war it helped to promote. When Colombia's Banking Superintendent "intervened" in Grupo Colombia activities last June, it was discovered that the Correa empire had made thousands of loans to fictitious persons and used its Banco Nacional to cover its fraud.

An investigative reporter for the leading daily *El Espectador*, José Suárez, reported that many of the funds attracted by the Grupo Colombia came from individuals dedi-

cated to "unsavory businesses." The London-based *Latin America Weekly Report* of July 9 charged that "The *financieras* (financial corporations) provide a link between the classically conservative Colombian establishment and the subterranean parallel economy, drawing funds from contraband and drug smuggling. They flourish in an atmosphere of high interest rates, lax controls and feverish speculation."

Possibly the most insidious aspect of the activities of *financieras* like those of the Grupo Colombia is that they have been in large measure responsible for the de-industrialization of the Colombian economy. Exemplary is Correa's purchase of the second-largest textile firm in Colombia, Fabricato, whose assets he stripped to add to his fund for speculating. When the Grupo Colombia was "intervened" into, it was learned that Fabricato was on the verge of declaring bankruptcy, a scenario which has already been played out hundreds of times in recent years with the productive sector.

It now remains to be seen how incoming President Belisario Betancur will deal with these black market-linked speculators, whose activities taint any development efforts in this potentially rich nation.

One well-entrenched financial interest group, the National Association of Financial Institutes (ANIF) linked to the powerful

Grupo Grancolombiano, has demanded that the Colombian government bail out Correa's Banco Nacional. According to ANIF President Soto Sierra, "These (financial) entities lent a public service delegated by the state and it should be the state which goes to their defense when they fail, independent of the persons who hold their license or own them." Economic journalist Jorge Méndez responded to the ANIF proposal with the assertion that it would give carte blanche to criminals like Correa to defraud the public.

Grupo Grancolombiano director Jaime Michelsen Uribe has given a more sophisticated cover to ANIF's arguments, going on television to propose the establishment of "multi-banks" which would be able to conduct the same illegal *pyramiding* inside four walls that Correa, Michelsen and their ilk have been doing all along among the different entities of their financial empires, and government regulations be damned.

There is even some speculation inside Colombia that Michelsen "pulled the plug" on the Grupo Colombia as a warning to President-elect Betancur of the chaos he can trigger if his proposals are not accepted in fact.

Michelsen's schemes are not going unopposed. Aware that the Grupo Colombia collapse could provide an invaluable opening for the new administration to clean out the speculative rot that is undermining Colombia's institutional foundations, spokesmen for nationalist pro-growth forces in the country are letting their opinions be known to Betancur.

This column was contributed by Valerie Rush. Part II will follow.

'There will, too, be a U.S. recovery!'

by Euphemius G. Quackenbush

I am outraged at *Executive Intelligence Review's* repeated insistence that the U.S. economy will not recover in the second half of 1982. I think that if *EIR* were to consider the arguments that I list below, it would find them most persuasive. I don't think *EIR* should hold against me that I have been predicting a recovery since October 1979. The Reagan administration and many econometric forecasters have also predicted a recovery. It hasn't happened; but this time I know it will.

First, let me cite the work of an Oxford professor, Dr. Hugh Turn, a follower of the work of Isaac Newton in physics. Dr. Turn has come up with the remarkable theory called the "springback theory." The idea is that in order for there to be a recovery, the ground must be well prepared. That is done by collapsing the economy first. This may seem elementary, but it took Dr. Turn 40 years of work to put this theory into scientific form.

Now, it seems to me that Paul Volcker, chairman of the Federal Reserve Board, has followed this theory (I think he is a closet admirer of Dr. Hugh Turn, you know). What Volcker has done is to give the economy a good thrashing, in line with Dr. Turn's Fifth Law, "The strength and direction of the recovery is in inverse relation to the force of collapse." But while American businessmen were screaming that they were going under and the unemployment rate neared 9 million last December, many people suggested that Volcker should take his foot off the neck of the U.S. economy—so to speak—and lower interest rates. Ah, there they, and *EIR*, are wrong.

Had Volcker relented then, there would have been little "springback" counterforce to launch the recovery. Between July and December 1981, industrial production had only fallen by 7.1 percent. What Volcker has done is to allow the collapse to proceed unabated, and in fact, to speed it up, to lay the ground for a very robust recovery.

A new aggregate

Second, *EIR* has often stated that even before the level of industrial production crashes to zero, the financial system will blow out under the force of Volcker's high interest rates, thereby aborting the recovery.

Here it seems to me, *EIR* has overlooked the breakthroughs in economic theory that were put together by Dr. Milton Sleazeman, the eminent monetarist who for

years taught at the University of Chicago and now is a fellow at the Hooter Institute in California.

Sleazeman has made major contributions to the science of economics by showing that money supply M-1, is always greater than money supply M-2, but less than money-supply M-3, whenever inflation is greater than 5 but less than 6 percent, and GNP is growing in proportion to the gravitational pull of the moon upon the earth. Dr. Sleazeman has given us a wide variety of symbology—M-1's, M-2's, M-3's, M-16's, M&M's. Recently he made a breakthrough in showing why the U.S. economy will never have a depression: the stability and monetary, or S&M, aggregate.

The idea of the S&M aggregate is to give the Federal Reserve chairman a blunt instrument, so to speak, to whip inflation and the economy into line. Nothing beats it. The index shows that once the economy has received its kicks, and become almost lifeless, then the reduced level of economic activity brings down the inflation rate. The theory is based on the idea that a dead man doesn't spend lots of dollar bills, and therefore inflate the money supply. This theory, like that of Dr. Turn's, may seem self-evident, but it took the penetrating mind of a Dr. Sleazeman and a lot of hard work by Paul Volcker to prove that it is true. If we can allow Volcker to constrict money supply just a bit more, the chance of a financial panic will be nil.

Finally, the *EIR* has entirely overlooked the work of Timothy Neerbottom, the noted psychic, who has been known to levitate 10-ton trucks, and therefore could certainly get the recovery off the ground. Neerbottom's theory holds that the economy will turn out well only if we think good karma about the economy. If we think negative thoughts about the economy, it feels rejected and goes off into a corner where it sulks itself into a state of uncontrolled depression.

Neerbottom has already had a positive effect on the government's approach to the current collapsed economy. First of all, on Neerbottom's advice, every three months, Treasury Secretary Donald Regan chants, "We've hit bottom, I can feel the economy gaining strength." Then there is the work Neerbottom has done with Budget Director David Stockboy and the Council of Economic Astrologers. Periodically, Stockboy and the CEA are removed to Bohemian Grove where they take off their clothes and chant "free enterprise, free enterprise," under the full moon. Stockboy also catches the moonbeams and uses them for economic projections.

I think I have exhaustively shown that there is much reason to believe that the recovery of the U.S. economy in the second half of 1982 is imminent. Were *EIR* to open its eyes to the viewpoints of these distinguished gentlemen, I believe *EIR* would see that the recovery lies just beyond the horizon.

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
\$1 bn.	Brazil from Canada	During Brazilian President Figueiredo's July trip to Canada, \$1 bn. in deals were signed for Canadian-financed exports to Brazil. Such deals by Brazil are usually part of a package in which the supplier also gives Brazil a large roll-over on existing debts. Brazil owes \$5 bn. to Canadian banks. The results of talks between finance officials on debt policy were kept secret, perhaps because of the sensitive state of each country's finances.	These deals will swing bilateral trade into balance for the next few years and there may be secret provisions for this trade to go onto a barter basis in event of monetary crisis.
INCLUDES: \$750 mn.	1-1.5 mn. tpy of wheat sales guaranteed for 1983-85.	Terms: 10% down, 90% in 3 payments.	
\$117 mn.	Federal Railroads from Bombardier	Brazil will send 75 of its aging diesel locomotives to Bombardier for sex change into alcohol-burners. Brazil has sought to replace imported oil with home-brew sugar cane alcohol so as to reduce import bill. However, even with cane slaves paid \$3 per day, alcohol costs \$40 per barrel to produce and takes valuable farmland out of other crops.	Financed by National Bank of Canada consortium and Export Development Corp., Brazil's railroads will chug-a-lug with Canadian Club.
\$45 mn.	Cibrazem from ABL Engineering	An Edmonton firm is designing 17 inland grain terminals for Brazil, which has minimal grain storage capacity.	Sweetener is the loan for construction costs from Toronto Dominion Bank syndicate.
\$30 mn.	Petrobras	EDC credit line for purchase of Canadian oil equipment and services.	
\$7 mn.	Electropaulo from EDC	Credit for buying Canadian electrical transmission and distribution equipment.	For use in state of São Paulo.
\$160 mn.	Ebratel from Spar Aerospace	Spar, in association with Hughes Aircraft (U.S.A.) will provide Brazil with 2 domestic communications satellites, related ground stations and equipment. Contract includes transfer of technology to Brazilian institutions. Satellites will be launched by Arianespace. Canada's Export Development Corp. financing \$84.6 mn. Canadian portion.	Brazil currently pays Intelsat \$12 mn./yr. to rent channels.
NEW DEALS			
\$3 bn.	Spain from U.S.A.	Spain has contracted with McDonnell Douglas for 84 F-18A fighters to be delivered in 1985 to replace existing fighter squadrons. The F-18A beat General Dynamics' F-16, the European Tornado, and the French Mirage 2000.	Part of financing will come from low-interest credits promised as part of deal on extending U.S. rights to 4 Spanish air bases.
\$870 mn.	Egypt from Spain	Egypt has signed contracts for military purchases from 2 factories owned by the Spanish govt. Bazan shipyards will build 2 reconnaissance Corvettes and 6 Cormorant-class patrol boats, worth \$500 mn. Enasa truck maker will supply 3,000 military trucks and 600 specialized military vehicles, under a \$370 mn. contract. Spanish cabinet has approved export credits from Fondo de Fomento de Exportación.	

Business Briefs

International Trade

Germans balk at world steel cartel

Referring to a communiqué from the meeting of the European foreign ministers July 24 that empowered the European Community's European Commission to negotiate a "global agreement" with the United States to limit steel exports to the United States, the West German Economics Ministry on July 27, told the EC that it would not accept controls.

"The European Commission has no blank check to negotiate controls on EC steel cutbacks to the U.S.," the Economics Ministry stated.

The same day Dieter Spethmann, the head of Thyssen steel, told the EC Industrial Commissioner for steel that since Germany held only 2.1 percent of the American market and was not affected by the June 11 U.S. Commerce Department ruling against European steel-company "subsidiaries," the German steel producers do not wish to be doubly penalized for other nations' practices.

The German refusal to allow Davignon to negotiate a cartel agreement with U.S. producers will, at least temporarily, halt Davignon's plan for creating a world cartel for the purpose of reducing world steel output.

U.S. Agriculture

House votes to cut farmers' income

In an effort to outdo the Reagan administration's program for cutting grain and dairy production and reducing federal farm-program spending, House Majority whip and Trilateral Commission member Tom Foley hastily submitted his 1983 Emergency Farm Bill.

This bill was given tentative approval July 27 by the House Agricultural Committee.

Essentially it would cut federal

spending in the long run by mandating paid diversion programs and acreage reductions for 1983-crop wheat, feed grains, and rice.

It will also boost the 1983 crop-loan rates, making it more attractive for grain producers to participate in the set-aside program.

Wheat farmers would be required to participate in a 15 percent acreage reduction program in 1983 to be eligible for federal program benefits such as loan rates and deficiency payments.

Foley calculates that paying farmers not to grow crops is cheaper than paying them deficiency payments when commodity prices fall below the target price set by the government.

If farmers idle 5 percent of their crop land, wheat producers would be paid \$3.00 per bushel for the average yield on that idle land.

The bill would also raise 1983 wheat-loan rates to \$3.80 per bushel, up from the \$3.55 rate recently announced by the USDA.

Publications

EIR predicted British bank strategy

The Bank of England's currently operational plan to shrink the world's offshore banking system, using the Banco Ambrosiano case as a pretext, was described and predicted two years ago by the *Executive Intelligence Review* in a special report entitled "Prospects for Exchange Controls on the U.S. Dollar," dated October 1980. The major conclusions of the report were:

1) There would be a payments crisis on the offshore Eurodollar markets due to basic inability of Third World and other debtors to pay, which would force the abandonment by banks of their offshore subsidiaries.

2) There would be a major breakdown as a result in international lending and international bank cooperation.

3) The dollar sector of the world

banking market would withdraw within U.S. boundaries, as would international banking conducted in most currencies.

4) The International Banking Facilities, then just proposed, would become a major new market within the U.S. for speculative purposes.

5) The U.S. dollar as a result would suffer a major crisis of confidence following which the dollar and all other currencies would be subjected to exchange controls and capital controls in a manner much more radical than the world financial breakdown of the 1930s.

Banking

Conti Illinois—America's most vulnerable bank?

Continental Illinois Bank of Chicago, the nation's sixth largest bank, could turn into this country's largest banking failure.

Conti Illinois was forced to announce July 28 that it will withdraw from a list of 10 select top U.S. banks that issued their certificates of deposit at yields that are lower than paid by others of the nation's banks. Conti will now have to pay between 50 and 150 basis points more in yields to attract customers to buy its CDs.

Conti was forced to leave this exclusive club after a series of bad loans made other banks and investors unsure about holding Conti's paper.

Continental Illinois announced July 21 that it had a \$61 million loss in the second quarter, and that it was forced to write off \$82.2 million worth of loans as bad in that quarter.

Conti's most visible blunder to date stems from its purchase over the last three years of \$1 billion in oil loans that it bought from the Penn Square Bank of Oklahoma City.

Conti had declared \$220 million of the Penn Square loans as non-performing, i.e., not paying interest. It wrote off as lost \$45.1 million of Penn Square

loans, meaning that a much larger volume of loans from that source remains to be potentially written off.

But Penn Square is not Conti's only headache.

It is carrying \$200 million in loans to International Harvester, whose bankruptcy declaration is thought to be only a matter of weeks away; \$200 million to American Invsco, also inches away from bankruptcy court; loans to Mexico's failing Alfa group, and to the government of Poland; and to Braniff Airlines, Wickes Co., and AM International, which three have declared bankruptcy.

On July 27, Nucorp, a \$800 million in assets California-based oil exploration firm went bankrupt. Conti was Nucorp's largest creditor, having lent the company \$150 million.

Conti claims the loans are secured, but they may be secured against oil reserves and rigs that are worth only half their book value.

It is conceivable Conti would have to write off \$500 million or more in loans in 1982 alone, and more in 1983. This is no position for a big bank to be in.

Through its former chief, David Kennedy, and other officials, Conti has been linked in the past to the outlawed conspiratorial Propaganda-2 Freemasonic Lodge of Italy, which was at the core of the Banco-Ambrosiano-Roberto Calvi scandal.

International Credit

Polish debt meeting is inconclusive

American bankers meeting at Citibank's New York headquarters to discuss Poland's 1982 debt service requirements came to no substantive conclusions, bankers said.

The banks sought \$1 billion in debt service payments for the country's unpaid 1982 interest obligations, less than what Poland owes them, but the entirety of what Poland has in Western currency deposits.

After discussion, bankers indicated

they might compromise at \$600 million in immediate payments, or roughly half of what Poland owes for 1982; following such payment, the banks would be willing to consider modest new credits, which the Polish government had requested.

The vice-president for Eastern Europe of one New York bank dismissed Poland's request for an 8- to 10-year general rescheduling of all payments, saying, "This might be on Poland's letter to Santa Claus, but the banks would never agree to it."

However, West German banks, as well as Austrian and Swiss banks, take the plan seriously. The West European view is that Poland's long-term recovery prospects depend on a considerable grace period for debt repayments, and that undue pressure from Western creditors might lead the Poles towards debt repudiation, an option that has already appeared on the government agenda in Warsaw.

Some Vienna banking sources warn that the difference in outlook between European and U.S. bankers might lead to a split in the lenders' consortium, and separate deals with Poland and the Germans, Austrians, and Swiss.

Corporate Strategy

Occidental Petroleum expecting an accident?

Occidental Petroleum has concluded a \$400 loan extension with a consortium of 63 banks on July 25, through its financial subsidiary.

The loan extension "will be used to cope with contingencies, if any, in the firm's issuance of commercial paper to finance Occidental's group companies," according to reports.

Occidental's chairman is Armand Hammer, the "Billygate"-linked American financier who seems to like insurance policies, hobnobs with certain Soviet leaders, but also finances the "human rights" groups used to stir up unrest in Eastern Europe and the Soviet Union.

Briefly

● **INDIRA GANDHI**, in an address to the American Association for the Advancement of Science on July 30, emphasized the need for technology transfer to the developing sector. She stated as well that it is imperative for those countries to have scientists of their own, pointing to India's experience in creating the world's third-largest pool of scientific manpower.

● **SENIOR U.S.** officials admitted at a background briefing July 30 that they could not evaluate the effect of present fiscal policies, because all budget-deficit forecasts were out the window. The Treasury will borrow \$100 billion between now and year's end.

● **INDUSTRIAL** construction in the United States fell 40 percent between the first five months of 1981 and the same period of 1982.

● **U.S. AUTOMAKERS** reduced production plans for the second half of 1982 to a 5.4 million unit annual rate, against the rate of 6.5 million units expected earlier this year.

● **CANADIAN** Imperial Bank of Commerce chairman Russell Harrison wrote to 32,000 shareholders assuring them that the giant Canadian bank was not in danger. But Canadian government officials warned the bank may not be salvageable.

● **WEST GERMAN** companies have not interrupted production of items scheduled this year for exports to the Soviet Union under contracts for the Siberian natural-gas pipeline, despite the U.S. administration's sanctions threat. The *Wall Street Journal* demanded editorially on July 30 that the administration invoke harsh sanctions against violators, as permitted under U.S. law.

Spain: resurgent nation or next socialist victim?

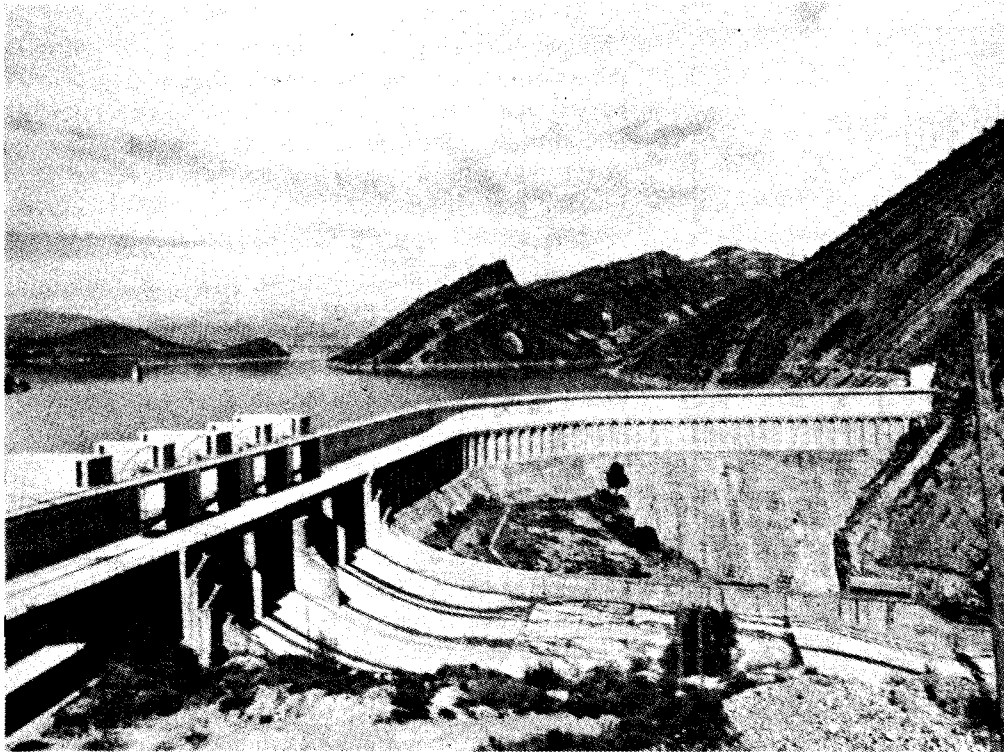
by Katherine Kanter, Paris Bureau Chief,
and Vivian Freyre Zoakos, European Editor

Spain's King Juan Carlos laid out in his May 20 speech at Aachen, West Germany the fact that it was Spain which, in the heyday of its global power, played a leading role in the realization of the very concept of "Europe." In the same way the nation's great spiritual strength was bequeathed by two world figures of non-hispanic origin—Saint Augustine and Philo of Alexandria—he explained that its future was bound inextricably with that of other countries, chiefly Europe, the Mediterranean basin generally, and Ibero-America.

Indeed Spain is now at a cross-roads, and the decision of which branch that nation will choose will have enormous impact for these other parts of the globe. The country is teetering on the verge of either becoming the newest European bastion of neo-Malthusianism or an important center for regroupment of pro-development forces, as it was in the latter 18th century during the reign of the New World colonizer, King Charles III.

The question of neo-Malthusianism versus industrial and scientific development will be the centerpiece of the upcoming general elections, likely to occur sometime before the end of the year. The members of the neo-Malthusian faction can be found scattered throughout all of the existing political parties, but are most heavily concentrated in the leadership of the Socialists. If they take possession of the nation, another crucial member will be added to the already dangerously long list of European governments firmly committed to depopulation and deindustrialization. In the case of Spain, there is the added danger that its future will weigh heavily on that of Ibero-America, whose ties to the mother country are still of enormous significance today.

Since the crushing defeat suffered by the Union of Center Democrats (UCD) at the hands of the Spanish Socialist Workers Party (PSOE) in the Andalusian elections in May, following a whole series of electoral defeats in various provinces, Spanish politics has split into two camps. The largest camp, unfortunately, contains those who have simply decided that should



One of Spain's hydroelectric installations. Twenty-five percent of Spain's national energy supply is produced from hydropower, and the nation's nuclear-energy program is moving forward.

early general elections be held this fall—as is nearly certain—a Socialist victory is inevitable and all that can be done is to sugar the pill by trying to gain as much blackmail leverage as possible over the Socialist leadership to prevent them from tearing the country's economy to shreds.

It is particularly alarming to hear such defeatism from circles close to former President Adolfo Suarez, since he is one of the few politicians who have the influence to put up a real fight. It all has a strangely familiar ring. *EIR* Paris bureau chief Katherine Kanter was told by leading French industrialists and politicians in the period immediately preceding the May 1981 French presidential disaster that François Mitterrand would constitute absolutely no risk whatsoever for the stability of the Franc, the reserves of the Bank of France, the nuclear program, and foreign policy. The reason, in their words, was: "We know how to control him." These clever politicians of the ex-majority are now laughing out the other side of their mouths.

In the Spanish case an additional complicating factor lies in the reactionary wing of the military. Talk already abounds among the most reactionary of Falangist circles that the more certain a Socialist victory becomes, the more likely the military will have recourse to a coup d'état. The changes are thus about even that the country will soon suffer one or another form of self-destruction. Either a Socialist government, or a fascist military coup d'état.

As some of the most thoughtful political and indus-

trial leaders in the country correctly view either alternative, it would be difficult to decide which would more rapidly destroy the country and the achievements of the last two decades.

The third alternative

As in most political situations, however, there is here a third, dirigist alternative.

There is a grouping in the present governmental majority committed to further expanding the industrial development policies which, from the early 1950s on, took the country through the only period of serious economic growth since the 18th century reign of Charles III. The country was transformed from being below the twentieth among the industrialized nations of the world to its current status as the tenth largest economy in the world.

The nuclear industry is a key element in this faction, although it has undergone tremendous attack in the Basque country from British and Jesuit-controlled ETA terrorists. The pro-industry faction is pushing for the nuclear program to be expanded well beyond the projected 15 percent of total energy consumption by the year 1990, as currently planned.

We were struck by two additional positive features in this factional situation. The first was the acute awareness among the pro-development faction of the fact that the policies of the International Monetary Fund and the World Bank are not oriented towards

The EIR in Spain

EIR European Editor Vivian Freyre Zoakos and Paris Bureau Chief Katherine Kanter spent the second half of June in Madrid, where they conducted interviews with a number of leading political and industrial figures. These included Spanish Defense Minister Alberto Oliart, who emphasizes the importance of Spain's sole and undivided control over its national territory, including Gibraltar. Oliart put forward his views only several days after NATO Secretary-General Joseph Luns told the Spanish daily *Ya* that Spain, NATO's newest member, should divide its military command between the English command of NATO on the Atlantic side, and a Neapolitan command for the Mediterranean region of the country.

In this Special Report, we also publish their interview with Interior Minister J. J. Rosón, now mooted as the next head of the ruling Union of Center Democrats party, and a leading figure in pro-growth circles in the country. Indicative of his point of view is his agreement, in the course of discussion, with the thesis otherwise associated with Italian President Pertini on the international drug and terrorist networks representing a unified conspiracy controlled from the outside. Minister Rosón also, albeit in diplomatic fashion, leaves no doubt as to his knowledge that the Spanish Socialists, like those of France, find terrorism an often convenient political phenomenon.

By contrast, the interview with Antonio Garrigues Walker reveals the political thinking on the opposite side of the spectrum. Garrigues Walker is the head of the Spanish branch of the Trilateral Commission, and founder of the Federation of Liberal Clubs. His policies, as he spells out unblushingly, are consciously neo-Malthusian and include the perceived necessity that the population of West Germany, for example, must be reduced by a few millions by the year 2000. Garrigues Walker is the closest collaborator of Pedro Schwartz, creator of the Commission for Public Choice of Milton Friedman in Spain, and the man who got Friedman a series on Spanish television.

A final interview with Eugenio Marín, the director of nuclear energy matters for the Spanish Employers Association (CEOE), refutes this neo-Malthusianism from the industrialists' point of view.

"budget balancing" at all, but very explicitly towards reduction of populations. One leading industrialist reported that "everybody knows England and the [U.S.] State Department have a policy of regional wars to cut down the population. To them, everyone south of London is a 'nigger'".

The second positive feature is that it is generally acknowledged by these individuals that Spanish policy towards the international Hispanic community must take a sharp new turn towards economic cooperation, particularly in the wake of United States behavior in the Malvinas war. To a lesser extent, this attitude is also expressed *via-a-vis* the Middle East.

Apart from some initiatives under former president Carrero Blanco and more recently, Suarez, there has been no consistent approach to orienting the Spanish economy toward Ibero-American development. Yet, what has saved the Spanish political class from pettiness over the last century is precisely the sense of responsibility and community felt towards the American continent. This was especially well put most recently by King Juan Carlos in his June speech delivered at Aachen, West Germany. He cited the Jewish and Christian philosophers Philo of Alexandria and St. Augustine as constituting the foundation of Spanish culture, a culture which was thus at its most profound engendered from outside the national borders and was also nurtured outside those borders through, particularly, the colonization of the New World.

The Socialist strategy

The Spanish Socialist Party has adopted the same dirty ploy as Mitterrand before last year's presidential elections: say nothing, publish nothing, *do* nothing on any major policy issue, economic or otherwise, which could alienate anyone in any shape or form; then take the credit for anything positive that may happen. This was the case, for example, in the lame support given by current President Calvo Sotelo to Argentina during the Malvinas war, although the Socialists made no attempt whatsoever to rally public opinion behind Argentina. On the contrary, former Justice Minister Ordoñez, founder of the Socialist-linked Democratic Action Party, participated along with Socialist leaders at a demonstration during the height of the Malvinas crisis under the slogan, "Down with all dictatorships, including the Argentinian."

Far more telling of the real thinking behind the Brandt wing of the Socialist International that pulls the strings of Spanish Socialist chief Felipe Gonzalez is the Socialist nuclear policy. The Socialists have participated in various anti-nuclear demonstrations around the country, including a large one in Madrid in June, under the slogan, "Down With Nuclear Energy." Madrid is

papered with Socialist posters attacking nuclear energy, co-signed by a slew of eco-terrorist groups.

Finally, under cover of libertarian democratic rhetoric, the Socialists are always to be found, whether directly or through intermediaries like the Basque Nationalist Party, invariably in the most extreme corner on the regional autonomy issue. This is a crucial question for Spain, where regional autonomy demands threaten to enormously weaken central government power. The most likely scenario is for the Socialists to win the fall elections, then begin to tear the country to bits economically and socially—as their cothinkers have done in France. This will provide the prerequisites for British intelligence, acting through the most extremist reactionary circles, to set up an IMF dictatorship or its equivalent under the guise of a coup d'état to preserve “order.”

This scenario is more or less openly acknowledged by prominent Anglo-American agents like Antonio Garrigues Walker of the Trilateral Commission, who would consider a Socialist victory this fall a divine gift. It is no accident that Socialist-enthusiast Garrigues is considered by the extreme right in Madrid as the ideal man to lead a right-wing coalition into the elections on a program of the technetronic zero growth society. Such a convergence of right-wing extremism and the Spanish Socialists should pose no surprise for those who have followed past *EIR* exposés on the activities and background of the Socialist International.

The fact that so many of those we met in Spain were already familiar with the work of this magazine's founder, Lyndon H. LaRouche, and were very interested in studying more closely his political and economic thought, is a hopeful sign that the pre-programmed scenarios for the destruction of Spain may not proceed so smoothly after all.

The pro-growth faction in Spain already has a glorious historical model to guide them, and one of which they are acutely conscious. From discussions and from their publications it became clear that this model was the reign of Charles III (1759-88), the great humanist monarch who put into practice the politico-philosophical ideas of Spain's greatest poet, Miguel de Cervantes, both in Spain and the New World.

The politics of Charles III is precisely what Spain now requires if it is to survive to fulfill its important role in the world. Contrary to what the press would normally have one believe, Spain is not a country of perennially weak institutions in its democratic infancy. The country has among the richest cultural and political heritages in all Europe. This in itself represents the most important base on which can be built a cogent policy that will extirpate the Hapsburg-British conspiracy which for the past 200 years has kept the nation in a state of near perpetual chaos and powerless disarray.

Economic Profile

How Spain can reach recovery and growth

by Richard Schulman

During the period from the end of the 1950s until the middle 1970s, Spain had the fastest rate of growth in Europe and was able to pride itself on having become the tenth biggest national economy in the world.

Now Spain is vying with Turkey as the country in Europe with the highest unemployment rate. Over 2 million of its workers are unemployed, out of an economically active population of over 13 million, with the result that the *official* rate of unemployment is at 16 percent.

Small and medium-sized businesses are failing at record rates. Industry is choked with high-interest debt. Spain's new shipbuilding sector is variously estimated to be operating at 10 to 60 percent of total capacity. Even Spain's powerful and ubiquitous banking sector is shaky. The Bank of Spain has already had to bail out the Banco de Madrid, which had been heavily involved in the textile industry; then the Banco Occidental. The latest worry is the well-known Banca Catalana, the sixth biggest deposit bank in the country, whose president is a leading Catalan politician, Jordi Pujol.

Although Spain's ruling “center” party, the Democratic Center Union (UCD), has been receiving the blame for the economic crisis, and the Socialists the electoral benefits (witness their winning a 51 percent majority for the first time in the May 1982 Andalusian regional elections), Spain's current problems are mostly a result of the economic plunge beyond Spain's borders. This is underlined vividly by the fact that two-thirds of its unemployed are accounted for by Spanish *Gastarbeiter* (guest workers) forced to return to their homeland after being laid off by recession conditions in northern Europe.

This is not to say there aren't problems within Spain that couldn't immediately be addressed. Spain's powerful private banking sector, consisting of the “Big Seven” (Banesto, Central, Hispanico, Bilbao, Santander, Vizcaya, and Popular) commercial banks, and the Banco Urquijo, an investment bank, all used to be heavily invested in heavy industry. Since 1975, however, the year of Spanish dictator Francisco Franco's death, the banks have been increasingly dumping their industrial holdings in favor of non-productive financial assets, notably the insurance industry, real-estate holdings, and “information society” enterprises. The Banco Urquijo,

for example, whose head Jaime Carvajal was educated at Cambridge University, has been liquidating its holdings in shipyards, and chemical and fabricating plants, in favor of "sunrise" industry investments. The Banco Central, which is active in Latin America, energy investments, and runs Dragados, Spain's largest construction/civil engineering firm, is now moving into insurance through its affiliate, the Banco Vitalicio.

These short-sighted moves by Spain's private-sector bankers are aggravating the desperate liquidity shortage faced by most Spanish businesses, and the unemployment afflicting its wage-earning population.

A resolute Spanish government could put an end to both banking and real estate speculation, which parasitizes living standards and industrial profits, by tax and national credit policies to favor productive investment and punish unproductive, speculative activities.

Now, as a result of the world economic crisis and the above-cited local Spanish aggravations, the Spanish Socialist Party is everyone's bet to take over Spain at the polls within the next six months, running on a program of Keynesian deficit spending, decentralization of the economy, and (a secret plank) the shutting down of Spain's nuclear program in collaboration with their regionalist ETA (the terrorist Basque separatist movement) allies. Such is the program of the Spanish co-thinkers of Socialist French President François Mitterrand, who are determined thereby to destroy the influence of the Spanish "Gaullists." These are Spain's dirigist-oriented politicians and economists who, beginning in the early 1950s, built up Spain's steel, shipbuilding, and hydroelectric industry, brought irrigation to arid lands under the Badajoz and Jaen Plans, forced latifundistas to improve their properties, and passed measures to keep interest rates low, foster exports, and consolidate uneconomic business holdings.

The Spanish Gaullist tradition

After the assassination of Spain's Prime Minister, Admiral Carrero Blanco, in 1973, and the dismantling of the Franco administrative apparatus after the dictator's death in 1975, that Spanish Gaullist tradition has yet to reassert itself under the new parliamentary conditions.

Yet if the best of the Spanish "Gaullists" were to mobilize around an economic program to make Spain a great nation again, completing the work begun by Charles III in the 18th century and by the Spanish Gaullists themselves in the 1950s through the 1970s, they would have a fighting chance to defeat the Socialists or at least succeed them before too much damage has been done. That program would emphasize:

- **Market development**, based on Spain's role as a key mediator in the industrialization of Latin America and Africa. That is Spain's "European" destiny, not

liquidating its national sovereignty and economy into NATO, the European Community (EC), the World Bank, and IMF. Only by exporting the capital goods that Latin America and Africa need for their industrialization will Spain find the mission and markets to make it a great nation again, of a weight equal to France, Germany, and Japan. Only with such an economic and foreign-policy orientation would Spain have a basis for entering the EC "Common Market" on a sovereign basis;

- **Energy development**, through a massive expansion of Spanish nuclear power-plant construction and the development of Spain's uranium resources in conjunction with this. (The ETA terrorists, who have halted the Lemoniz I reactor by murdering its chief engineer and another key executive, must be ruthlessly squashed by supplementing the present police measures with an open international press campaign exposing ETA's oligarchical controllers and mouthpieces—the Society of Jesus, Venetian-Genoese and British aristocratic circles, the Bourbon-Parmas—and their role in murdering and looting the Spanish population for centuries);

- **Water development**, through a joint Portuguese-Spanish plan, based on transportation of water from Iberia's wet north toward the arid south; more dams to regulate seasonal water flows; and nuclear desalination plants; expanded irrigation of farmland and reclamation of wasteland through reforestation; also climatological research, in conjunction with Saharan, Ibero-American, and other international researchers, to investigate the possibility of long-term climate modification, through continental-scale shifts in albedo (the percent of illumination reflected by the Earth), and evapotranspiration brought about through expanded cultivation and reforestation;

- **Fostering of national scientific and technological advances**, through massive encouragement of expanded science education in Spain, as well as of government and private-sector research and development. Spain's current R&D expenditures are a disastrous 0.3 percent of GNP (much of that pitiful figure being confined to the metallurgical and chemical sector). Virtually all new technology Spain uses is licensed from abroad. Spain spends more on foreign licenses than on R&D;

- **Transportation development**, through a modern, high-speed rail system to overcome the regionalization caused by Spain's mountainous interior. Standardized piggyback containers should be mandated for rail, truck, and maritime use;

- **A general policy of fostering industrial capitalist development**, rather than Hapsburgian looting, through a streamlined tax and credit system, based on financial rewards for productive, labor-upgrading investments and financial penalties on speculative, labor-intensive ones.

The NATO question: 'We must have command of our own territory'

Spanish Defense Minister Alberto Oliart granted this interview to EIR in Madrid on June 23.

EIR: After the Malvinas crisis, does Spain plan to integrate itself militarily into NATO, or to play a more limited role like that of France?

Oliart: We plan integration into the military organization of NATO in a way which of course must be worked out with the actual components of the alliance; but we do not intend to remain in a position like that of France.

EIR: [NATO Secretary-General] Joseph Luns in an interview with the Madrid daily newspaper *Ya* on June 20 speaks of the possibility of interventions into the Third World by NATO members as something perfectly natural in the future. What do you think?

Oliart: I have not read this interview with Luns. I imagine that, given the special nature of the NATO alliance, and the independence maintained by the countries within the alliance, to determine their own foreign and military policy, that Secretary-General Luns has probably simply justified the fact that some countries within the alliance have intervened, obviously, in the past and at certain points, in various Third World areas like Africa.

I insist that this corresponds to the sovereign decision of each of the member countries of NATO to act in matters of foreign policy or military policy as they think opportune, without prejudice to the ultimate aim of the alliance, which is the defense of territory vital in interest to all the alliance members, which includes Spain today. As members of the Atlantic alliance, we have committed ourselves to the sphere geographically within the terms of the treaty, not to any other. This does not affect our decision to continue our foreign policy just as we consider it should be carried forward, as a sovereign and independent nation.

EIR: What do you think of the proposal that Gibraltar could be a NATO base jointly governed by Spain and Great Britain?

Oliart: We have clearly put forward the fact that it is a priority, a vital strategic interest for our nation. I mean that zone defined by the points of the Balearic Islands, the Straits of Gibraltar, the Canaries. We have clearly expressed the concept that in this zone, the Spanish command is not subject to debate.

EIR: A debate is presently raging in NATO about the future of armaments: Whether one should opt for conventional forces, or else develop, as the Soviets are now doing, new strategic arms based on space-age warfare—laser beam weapons and so on. What do you think, taking into account the very distinct implications of the two alternatives in terms of world economic growth, about this debate?

Oliart: In my country's situation, at our industrial, economic, and technological level, I believe we can develop an army by land, by sea, by air, which in conventional terms will be on a par with the others in the Atlantic alliance. The other arms systems you refer to do not enter the immediate horizon. I do not mean to say that we are not paying careful attention to this advance, nor that we are not gaining the means to handle these technologies in the event we should possess them. However, the present modernization project we have for the armed forces' materiel still does not include these levels of high technology, for budget, economic, and technical reasons.

EIR: But on what side do you stand in the debate?

Oliart: It is hard to answer this, but I would say that each country must do the utmost to attain the highest possible defense level. The Atlantic alliance is a defensive alliance, faced with what appeared to be a decisive Soviet menace against Europe in 1945. This potential threat still exists in spite of all the diplomatic, political, and cultural relations between us. I do think therefore that anything those countries in the alliance which can develop the absolutely highest technologies can do to defend the free world, should be done, because this helps to maintain the character of a true shield, which the Atlantic alliance is



supposed to be. These countries should develop the type of technology you referred to.

EIR: What do you think about technological interdependence in military terms?

Oliart: We have many of our own technologies, and we are working on others. I think we should pursue this path.

However, arms systems today are numerous, complex, and varied. We do not have a national technology for some of these systems, so we should acquire them. I think a cost-efficiency analysis must be made. Efficiency means not only yield from a certain system, but what you gain in terms of national independence.

If you take the French example, they do have French weapons systems, but many of these include other nations' technologies. Apart from the superpowers today, almost no one else has the dimensions, be it in terms of space, economics, etc., to entirely develop the technologies for themselves which they may require.

EIR: What do you think about the European Rapid Deployment Force?

Oliart: This already exists. Each country in the alliance has contributed to it. This force is necessary, and Spain is disposed to contribute units, and to discuss the size of the units. This Rapid Deployment Force of the Atlantic alliance of course is not the same as the North American

Rapid Deployment Force.

EIR: Could you elaborate a little more on the question of out-of-area deployments?

Oliart: I cannot imagine under what conditions my country could have an interest in intervening militarily in countries which you have called Third World countries, and which are not included in the geographically delimited area of the North Atlantic treaty. For a great many years now, my country has not had an expansionist policy outside its own territory. Spain is concerned and involved in defending and developing its own national territory and population. I do not see reasons why at this point we should find motivations to intervene in other countries.

EIR: In your opinion must the NATO mandate for Spain be under Spanish control or could you accept integration of other commands?

Oliart: More detailed discussion will be required on this topic. But, as you know, Spain is a country between southern Europe and northern Africa. The Straits of Gibraltar are not an abyss separating us from Africa, but rather a means of communication.

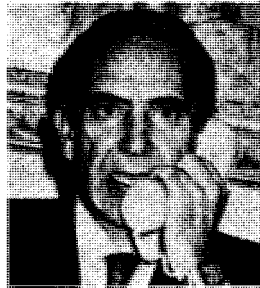
Furthermore, we are a nation between the Mediterranean and the Atlantic. This poses so many problems that if you take the NATO commands as they presently stand, you could come up with Naples, just as you could come up with Norfolk. Perhaps the first priority from which we move is a Spanish command, as now already exists. This is justified precisely by the fact of our complex situation, and by the enormous importance, in my eyes, which my country has strategically for NATO as a nation, and as a reserve territory, a last bastion. It is not inconceivable that there must be a single command for this territory which is so special.

EIR: You mean a single Spanish mandate?

Oliart: Yes, naturally. Dependent or integrated of course, as is the English, as is any other mandate, on the alliance as a whole. This is what we plan to discuss with our allies. We wish to see whether this is possible or not. We think that they too must work through the question in depth, i.e., whether, given our complex situation, we must fit into the pre-conceived schemes of NATO, which has been around for 35 years. This alliance was constituted by agreement between the countries which composed it at the time of its creation. But a new entity is entering the alliance, which has its own peculiarities, unlike those of any other European country.

EIR: But will this be a *sine qua non* condition?

Oliart: I would not go so far as to say that it is a *sine qua non* condition, but it is a priority which we want examined very thoroughly indeed.



'Drugs are spread by a conspiracy'

Spain's Interior Minister, Juan José Rosón spoke to EIR in Madrid on June 17.

EIR: We think that drugs are not a sociological phenomenon, but something very well organized. What is your viewpoint?

Rosón: There is no doubt whatsoever that there is a nexus of economic interests manifesting the existence of an organization which we confront on many different levels. There is a macro-organization, which directs movements in the drug economy on a worldwide level, and after that come the micro-organizations, which may be national in character. Consequently, one must speak of a powerful, structured network, a network that includes economic interests of incalculable influence.

From a different standpoint, the drug phenomenon is essentially one with deep social roots, where there are cultural, medical, standard-of-living, and other considerations. There is no doubt that drugs respond to a society. Drugs peak in a society in which the scale of spiritual values is undergoing a profound process of change. There is also no doubt that drugs are the recourse of human beings who wish to escape a world which is at times hostile to them, or an environment which is negative.

Lastly, one should not exclude the possibility that drugs may have been used or have in fact been used as part of a political design or project conducted by circles who rule over society.

EIR: One way drugs were sold to the U.S.A. was by pushing the line that there is a difference between "soft" and "hard" drugs. In our opinion there is no such

distinction. What do you think?

Rosón: I think it is very hard to make that distinction, although, in fact, on a medical level as well as on the level of the cultural analysis I referred to before, these distinctions have been made. I think that the drugs in themselves, whatever their more profound effect may be, and whatever the drug and its physical origin may be, must in the final analysis be given a single, coherent treatment.

I think that society has been harmed in recent years by this imposition of distinctions between drugs. They are drugs, and thus produce stimuli or generate sensations which are not natural in human beings; they are artificial. Faced with the entire array of drugs, one must take a rational stand, including consideration of certain drugs that have already been introduced into society or certain stimulants that are habitually accepted socially, such as alcohol, for example.

EIR: Our editorial board has been working for years on the question of international networks. We are convinced that at a very high level, there is a financial and political organization very closely linked to the Opium Wars of the 19th century. What is your conception of these networks?

Rosón: In the final analysis, in human society human beings carry out actions, and when these actions are cunningly worked out and have a coherent form of organization—and this is precisely what we find in the cultivation, traffic, sale, and organization of the consumption of drugs—you cannot help but think that we are confronting enormously powerful organizations.

I cannot back this up with concrete facts. But from our perspective of what Spain represents—a country where drug consumption is unfortunately taking off, and which, due to its situation on the globe is bound to be a point of passage for international drug routes—the most we can hope for is an effort—a sizeable effort, naturally—to collaborate with other countries to attempt to really get behind the image which is presented for show [by the drug lobby—ed.] for behind this image must necessarily stand a cunningly planned and very powerful organization.

EIR: The French press published information on protection rackets in the Basque country and on drug traffic by ETA (the terrorist Basque separatist group). Many people think ETA is dealing in drugs to finance its activities. What do you think?

Rosón: There does exist information which leads one to think this is the case. Members of the ETA terrorist group have undoubtedly participated in drug traffic, and, especially, in pushing people to take drugs in the Basque country. But though we do have data on specific individuals, we are insufficiently well-informed on the way the whole complex is organized.

‘Spain needs technology and credit for economic growth’

Eugenio Marín, the head of the Energy Commission of the Spanish Employers Association (CEOE), granted this interview to the EIR on June 15 in Madrid.

EIR: What are the main problems of your economy?

Marín: These are the same problems as those of the world economy and of the developed countries, in which we are included, and this of course should be qualified with an aspect peculiar to Spain, that of our political transition [since the 1975 death of Generalissimo Franco—ed.]. We are suffering from the paralysis caused by the collapse of the growth model which had prevailed after World War II. At a certain point, as a result of energy becoming more expensive, we found ourselves confronted with two fundamentally differing viewpoints: that of those who believe that we should return to zero growth and to previous eras, through policies which I would describe as Malthusian; and that of those who think we should look for a new technological model, to go forward and enter a second development phase.

Furthermore, we in Spain have had to recreate the whole concept of the state. Traditionally, we have not been a centralized country. We were practically a confederation up to the time of the advent of the Bourbons. We then became a totally centralized country, a model imported by the Bourbons from France. We then went somehow back to the original situation, to a type of decentralized, quasi-federal state. This has meant brutal changes in our structures, and all this has compounded the crisis. Unfortunately, our country is rather unbalanced economically; the North and Catalonia are very well-positioned, but zones like Andalusia are really underdeveloped. Our problem is to work out a coherent policy for all this.

EIR: Where is the present tendency to federalism going?

Marín: Well, I think that the model of a totally centralized state is not the one which prevails in the world at this moment, as people tend to think that the way to solve a problem is nearest to where the problem arises. I think this new federalism could be a good thing. However, in Spain this has to be qualified by something else, which is that each [more prosperous] region cannot solve the

problems of all the others, since we have an economy which is abnormally disparate. Yet Catalonia cannot wash its hands of the problems of Andalusia. So with this nuance of inter-regional solidarity, I think that federalism for Spain is a good idea.

EIR: The high interest-rate policy of the U.S. Federal Reserve is obviously creating a lot of problems for the world economy. What would you like to say about this?

Marín: Well, this is obviously one of the reasons for the interest-rate problem in the world. They say this is a transitional phase towards a second phase: once inflation is crushed, these controls will be weaker, and it will be possible to enter a more expansionist phase. The question is whether this is really just a transitional phase, or whether this will last forever. The reality is that inflation has to a great extent been stopped, but the high interest rates continue. There is something here which does not confirm their economic theory, and we are all very worried about this: how long can this go on?

It is obvious that the current interest rates make investment very difficult. I think we all agree on that. We are in a vicious cycle of inflation, non-investment, expectations on the part of capital holders that they will get remuneration, which leads back into this vicious cycle.

EIR: What would you like the Spanish government to do to promote investment, and to do in terms of grand industrial options?

Marín: Several things basically are required to foment investment in Spain. First, there must be a decrease in the public deficit, so that in the private sector, the investing sector, there can be access to cheaper credits. It is obvious that the state is a tough competitor in the capital market, and in such a situation it is very hard to invest. Second, it is easy to say you have to invest; the real question is, what do you want to invest in? Expectations of profits are very low, there is a lack of demand, and the Spanish technological model does not allow one to go to very high technology, which means it is hard to see where to invest. Third, we are living through a crisis of confidence.

To relaunch industry, we need three things. More and cheaper credit, first of all, especially cheaper credits.

Second, renewal of confidence, which is a tricky thing to define. Third, renewal of our technology, which is easy to say but hard to do. In our country, we do not suffer from the saturation phenomenon which you have in the rest of Europe. There is plenty of room for development here.

EIR: What do you think about the Japanese model of Third World development?

Marín: The Japanese have really done marvels, but I don't know whether in places like Ibero-America or Africa, where there the social structure is different, this would work.

EIR: Of course the Japanese, contrary to the so-called Anglo-Saxon model of the last few years, have invested massively in advanced technology. . . .

Marín: I think investing in high technology for the Third World calls for a social base, which, in the best circumstances, can be created simultaneously. An effort of education is required, of creating a social infrastructure, and I think that if it is not done at the same time, it can lead to failures. But I do think that there is no solution other than high technology for the Third World, even though this calls for a gigantic educational effort.

EIR: What energy options do you see for Spain in the years ahead?

Marín: We took the right path, i.e., we started a truly ambitious nuclear program, which is being put into practice on a smaller scale, but which *is* being put into practice.

The nuclear program is going ahead, in spite of the problems created by the high cost of money today, and by social opposition, which is fortunately not really very strong. We have problems still with gaseous combustibles, with gasification. I think Spain must go ahead with the nuclear program, make a bigger effort to explore hydrocarbons, use domestic coal to the utmost, and consider petroleum only as a supplementary energy source. In essence, the CEOE agrees with the government of Spain's energy program.

EIR: Is Spain working on fusion power?

Marín: We are interested in it from a technical standpoint, but unfortunately, we cannot carry forward major research because fusion requires enormous investments which our country simply cannot supply at this point. We do follow it, of course, from the standpoint of studies, following the process of research. I think that really only the U.S.A. and the U.S.S.R. have the means to work on fusion seriously. . . . I think it is a more general problem of the social philosophy here, since for some time now, research has not been considered a top priority. We have tended perhaps to take the easy path: to say that technol-

ogy is something you buy elsewhere. We are lacking in that second step, which involves saying: you buy a technology, you study it, and then you bring out your own technology. The social effort, which means holding back a little on consumer goods to dedicate them to research, has not been made. . . . Ten years ago, we missed the advanced-technology train, and getting back onto this train is tough; but an initial effort in pure science, which is not a priority here, must be made. This is the only way out.

EIR: What options do you see for the Spanish nuclear industry, in South America in particular?

Marín: We started to participate in the Mexican nuclear plan, which unfortunately was cancelled. I think that we are one of the countries that can participate in the nuclear plan, because we have a very acceptable technological level, and we have experience in developing nuclear energy here. Unfortunately, when the thing started to get moving, problems arose: in the case of Brazil, for a number of reasons; so too in Germany. Mexico and Brazil are the only two countries in Latin America which had started to take the nuclear option seriously. For the other Ibero-American countries, we are, of course, well situated.

EIR: What would you like the Spanish government to do to help promote Third World industrialization?

Marín: I think one of the few things in which the government really has been very clear, is promoting outlets for export, which is in any case the only way out of the present crisis. We received advantageous credits, help of various kinds, which led to our really getting beyond our frontiers. I think whatever government is in power must continue this option, in particular the industrialization of that area of the world which is so close to us, South America.

EIR: The PSOE [Socialist Workers Party of Felipe González] signed posters on the walls of Madrid saying "throw the *Junta de Energía Nuclear* out of Madrid—No to nuclear energy". Is there a problem with ecologists here?

Marín: No. It is totally artificial. In the hypothetical case that the Socialists came to power, I think that they would not adopt what they say in that poster.

EIR: Do you agree there are too many people in the world, that industrialization must be stopped?

Marín: I am not a Malthusian. I just am not. To reduce this argument to the absurd, why not rush toward general holocaust, thus achieving the same results as the atomic bomb? If we all drop dead, there will be no population problem. The only way to have moderate demographic growth in any case, is through education.

‘It is necessary to renounce national sovereignty’

Antonio Garrigues Walker is the head of the Spanish branch of the Trilateral Commission and founder of the Federation of Liberal Clubs. This interview was conducted on June 23 in Madrid.

EIR: You must be very concerned about the grave situation in the UCD [Democratic Center Union].

Garrigues: No. In Spain we had only seven years to move from dictatorship to democracy, from a very centralized state to an autonomous one. It will take many more years, perhaps hundreds, to achieve democracy. I think the crises in the UCD are normal, in fact good, from the standpoint of corresponding processes in the rest of Europe.

We are witnessing something which I consider very positive: the birth of a conservative party which will grow very fast. While the PSOE [the Spanish Socialist Workers Party] moves towards social democracy, we need something to connect the two. In our country, the left is too far left and the right too far right. The first two political tendencies [the PSOE and UCD] are positive.

EIR: What should Spain do about the world economic crisis?

Garrigues: Nobody knows how to correct the world's economic problems. We are undergoing a structural change, which can probably best be described by the theses of Alvin Toffler [author of the post-industrialist bestsellers *Future Shock* and *The Third Wave*] and of Jean-Jacques Servan-Schreiber [a leader of the post-industrial society, technetronic movement in France] in his book *Le Défi Mondial*.

The zero growth option does have a meaning, but I find it too defensive. Our main problem is that the principles of economic sovereignty, the principles of

political sovereignty are still too strong.

An attempt must be made to reduce the power of these principles, or get beyond them one way or another—and rapidly—or there will be no solution.

EIR: What do you think about Milton Friedman?

Garrigues: Friedman's theses as a whole are valid, and as a liberal I accept them. But of course they should be seen in the American context. Friedman is typically American. By that I mean that he lives in a situation where there are no left-wing political parties, no trade unions on the left, and no left-wing cultural power. If you attempted to transfer Friedman's policies literally, to Europe, which has a higher cultural level, a more developed social level, and much more social strife, Friedman would first have to be translated into European terms of reference.

EIR: What will happen if the PSOE comes to power this autumn?

Garrigues: The PSOE would have the same policy as Socialist Prime Minister Papandreou of Greece and [French Socialist President] Mitterrand. There is no doubt whatsoever that the PSOE's coming to power is acceptable. The Spanish people must get it into their heads that this is part of a democratic alternation. The positive thing about a Socialist triumph is that it would enable the right wing to clarify itself much more, and to intellectualize its behavior much more.

EIR: Please specify what you mean about overcoming national sovereignty.

Garrigues: At the moment there is still monetary sovereignty. Nobody wants to give up customs protection, nobody wants to give up their administrative liberty. We

must move bit by bit towards renouncing individual sovereignty. It won't happen overnight, but we could start, for example, by creating European-type courts of law, which would help to break down the barriers of each country. Our big problem is that there is truly ferocious nationalist resistance, which must absolutely be gotten around.

EIR: Who else thinks as you do on the question of national sovereignty?

Garrigues: First of all, the youth. Youth are tired of toll gates, ID cards, and principles as a basic institution of society. Also, a whole series of economic groups think as I do; they realize that national sovereignty is a dead end. Politically, I pushed for that when I was president of an industrial syndicate. Now, I work with the European liberal parties, who are totally for this project. Liberal ideology is fundamentally internationalist. I want to collaborate with the Liberal International, an instrument which I think should take on a great deal more power than it has now.

All Spanish parties have given verbal support to internationalism, but when you get down to applying the ideas, suddenly some very bizarre forms of resistance crop up.

On a personal level, I believe Felipe González [head of the PSOE and Vice-President of the Socialist International] is a man with a certain sense of internationalism, who would push this type of thesis, as would Alfonso Guerra [second-in-command of the PSOE]. Calvo Sotelo [the President of Spain] is beyond any doubt a partisan of my ideas.

EIR: Who poses the greatest resistance to the UCD?

Garrigues: Fundamentally, the biggest resistance comes from the circles around [former President] Suarez and his men. They have little international sense, and are not even interested in what I have just said. I think Suarez is personally worried that wider integration of Spain would be too demanding on him—I mean from the standpoint of his competence.

That is why people in industry are also fighting my idea. It is too demanding; they would have to be too competitive. But the small and medium industries are not afraid of what I said at all. The main problem is that there is an elite group within the really big industry.

EIR: Are you for independence of Spanish military technology?

Garrigues: Personally, I am for integration. Independence is a sterile waste of energy and money. This all forms part of the principle of national sovereignty, which is so strange.

EIR: I assume you favor a big expansion of the nuclear

program, in order to promote greater economic growth.

Garrigues: The nuclear industry is getting enough credits as it is.

EIR: What do you think about zero population growth?

Garrigues: I am against the use of force. The world population is already dropping; the problem is taking care of itself. Look for example at West Germany. There will be several million fewer Germans by 1985. This is a rational process, which shows there is a will to do something about the problem.

EIR: What can Spain do to industrialize Ibero-America?

Garrigues: Spain has neither the financial nor technological means to play a major role in Ibero-America. We Spaniards can just forget that. All we can do is to maintain our good political relations with Ibero-America and arrive at agreements with European capital and U.S. technology. I myself have not worked at all on the problems of Ibero-American economic development.

EIR: What can Spain do to help Mexico?

Garrigues: [Mexican President-elect] Miguel de la Madrid looks like an improvement on López Portillo to me. He is more modern, more open, less nationalistic than Portillo. He knows he will have to undertake major changes. In my opinion, Spain does not have real means to help Mexico. Spain has few options.

EIR: What do you think about the Malvinas question?

Garrigues: I do not think that any Spaniard would justify the act of force by Argentina. Many people have come to realize that Spain, as a member of NATO, will be able to improve relations between England and Latin America, and the United States and Latin America. Our role would be reevaluated as an intermediary and we would get some prestige, some personality, out of this reintegration into the Western world.

My personal opinion on the Malvinas is that I do not have enough information. You simply have to know more than is available. No matter who may have been right, the war is unjustifiable, sterile. None of the deaths had any meaning.

A strange process of interrelation between England and Argentina will take place once the euphoria in England and the pessimism in Argentina have subsided, and new criteria will be adopted. England will realize that in the case of Gibraltar she will also have to negotiate, and this will benefit Spain.

EIR: One last question for our readers in the United States. Who are the American political figures to whom you feel the closest?

Garrigues: Sen. Edward Kennedy, Sen. Charles Percy, and Henry Kissinger.

The man behind the Middle East carnage

by Criton Zoakos, Editor-in-Chief

The last remnants of United States influence in the Middle East are about to evaporate unless the Reagan administration forcefully junks the London-inspired recommendations that Henry Kissinger has been spreading within the government, and thus forces a dramatic, unilateral Israeli retreat from Lebanon as a precondition to any further future diplomatic effort.

Such a measure ought to be enforced post haste or not at all, since, according to all informed estimates, a brutal Israeli invasion of West Beirut is imminent.

American policy makers have been deaf and dumb for too long to warnings issued by this and associated publications respecting the imminent demise of United States interests in the Middle East. As this warning may be the last, after which no remedy may be feasible, we are obliged to locate Henry Kissinger's recent resurfacing in our public affairs in the broader context of the London-centered Mideast strategy into which we are being disastrously drawn.

Henry's springtime in London

During the second week of May, shortly before Israel's invasion of Lebanon, Henry Kissinger was in London, entertained by certain senior lords of British Intelligence. During those meetings, Henry was given the assignment of 1) diverting the Reagan administration from its impulse to contain Israel's adventurism; 2) launching an offensive against the International Caucus

of Labor Committees organization and its associates, especially targeting Mr. Lyndon H. LaRouche, Jr. and his wife Helga Zepp-LaRouche; 3) neutralizing the anti-Ariel Sharon nationalist elements in Israeli inner circles, among other relevant items. Henry was also given the promise of a grandstand return to power and influence in Washington.

As weeks passed, London and its allies in the Israeli government circles, such as Defense Minister Ariel Sharon and Yuval Ne'eman, worked to create among Arabs an image of an impotent and bungling U.S.A., which at best cannot be relied upon, and, at worst, a U.S.A. which is in fact an accomplice in Sharon's reckless carnage in Lebanon. Henry Kissinger in Washington was employed to supplement this effort by means of sabotaging the mediation which the White House has been attempting with the Palestine Liberation Organization. As this mediation appeared to fail by Monday, July 26, the Sharon-Ne'eman gang in Jerusalem assumed the choreographed pose of exasperation of "you see we gave diplomacy every chance to succeed but the terrorists won't listen," and proceeded to make the final preparations for a brutal onslaught against western Beirut.

The true purpose of the carnage

There are vital reasons of state for which the White House must at all costs stop this now imminent assault



A victim of Israeli land mines in Lebanon.

against western Beirut. The true purpose of that offensive, a purpose which has been methodically concealed from the President of the United States, has nothing to do either with the Arab-Israeli rivalry or with the legendary "security of the state of Israel."

Sharon will order Israeli troops to storm West Beirut for the exclusive purpose of setting off a huge political chain-reaction throughout the Arab world, whose purpose will be to ruin every last functioning and quasi-functioning political institution in Arab states and thus sweep away the last remnants of U.S. influence in that part of the world. Imagine what happened to Iran during 1979, when Khomeini swept into power, leaving chaos and ruin in his wake and uprooting every American policy lever from that country. Sharon's assault on Beirut is designed to produce the same phenomenon in every Arab country, including Saudi Arabia, Kuwait, Iraq, Jordan, Egypt and the smaller Gulf states. London will then move in to establish itself as the arbiter of the region.

We warned, throughout 1977 and 1978, that this was British policy toward Iran. We were not heeded, with disastrous results for the United States and calamitous results for the nation of Iran. The same legendary "dumb American" incredulity which greeted our warnings of 1977-78 is now greeting our present warnings.

In early May of this year, Kissinger was assigned by British Intelligence to what is known as the "Bernard

Lewis Plan" for the Middle East, named after the former head of British Intelligence's Arab Bureau, Professor Bernard Lewis of Princeton University. This is a plan which projects a recasting of the Middle East's entire political map along cantonal, ethnic, denominational and tribal lines, devoid of any U.S. influence and with all nation-state institutions ruined.

The fall of West Beirut is designed to launch "phase two" of the Bernard Lewis Plan, to be carried out under the Reagan administration just as "phase one," the Khomeini takeover, was carried out under the Carter administration. Congressman McCloskey's delegation was manipulated by Henry Kissinger and British Intelligence into an ineffectual visit to Arafat's headquarters in western Beirut last Sunday which produced a diplomatic embarrassment; Yassir Arafat was led by the nose and manipulated into a non-policy toward the McCloskey delegation; the Saudi government, believing itself to be very clever, is being manipulated into intricate maneuvers whose purpose is to buy time—in the same way the late Shah of Iran was seeking to buy time. The Iraqi government is being induced, in the name of diplomatic decorum, into treating the Khomeini menace as a subject for gentlemen's cabinet warfare. Our own government is once again being mesmerized into adulating the intellect and diplomatic skill of an incompetent boor, a philistine and traitor, Henry Kissinger.

Meanwhile, British Intelligence, and parts of the Israeli Mossad and KGB General H.A.R. "Kim" Philby's Soviet networks throughout the Arab world are working hand-in-hand to revamp the entire Arab radical movement lock-stock-and-barrel, starting from the PLO itself, into an uncontrollable instrument of blind rage and destabilization. These infernal legions are to be set on their destructive path after West Beirut goes through the final bloody spasm of its agony. After the pathetic Arafat is turned into a tragic figure in a hail of gunsmoke and bullets, after his bloody shirt is waved before the TV cameras of the world, after the corpses of Beirut's PLO defenders are counted and shown to the world, the howl of the "Arab moderates' " bankruptcy will resound in the Arab part of the Middle East. The war-cry of anti-Americanism will engulf the Middle East and Western Europe. Lord Carrington will rub his hands with satisfaction and he will pat Fat Henry on the head.

The alternative is for the Reagan administration to send Henry Kissinger and his friends packing and order, in no uncertain terms, the Israeli government and the Palestinian radicals to cease and desist. This country has enough firepower to make it stick.

Outlook For U.S.-Japan Economic Relations

EIR's new 95-page Special Report shows why U.S.-Japan economic frictions will intensify unless U.S. economic policy is fundamentally changed. The furor caused by the "Hitachi computer espionage" case may be dwarfed by the use of a "national security clause" limiting Japanese exports to the U.S. The report details how administration officials designed the administration's strategy of economic tension with Japan, and how they manipulate congressional reflexes to carry out their "post-industrial" plans for both Japan and the United States. The report includes:

- Strategic and Economic Context for U.S.-Japan Economic Relations
- The Five Key Areas of Conflict in the Coming Year
- The Politics of Economic Friction: the Trade Warriors' Strategy
- Exclusive Interview with William Brock, U.S. Trade Representative
- Exclusive Interview with Lionel Olmer, Commerce Undersecretary

95 pages

\$250.00

Order from: Peter Ennis, EIR Director of Special Services, at (212) 247-8820, or 304 West 58th Street, New York, NY 10019

Investigative Leads

Qaddafi and neo-Nazis spur terror outbreak

by Herbert Strong

The recent spate of terrorist bombings in Western Europe was coordinated by a central command channeled through Libya's **Muammar Qaddafi**. His command structure was set up in a series of meetings held in June and July, beginning with a gathering of 200 separatists in Tripoli, Libya in early June.

The conference established an "international center for combating imperialism, colonialism, and Zionism," according to several sources.

Prof. Henning Eichberg of the University of Copenhagen, an avowed neo-Nazi who is organizing for the unification of the environmentalist shock troops with the separatist movement's terrorist capabilities under the slogan "Balkanization for everyone," is running an operation parallel to Qaddafi's within Europe. Eichberg will deliver the keynote address the mid-August "People Identity/National Identity" conference in Denmark, a gathering that will unquestionably escalate terrorism internationally. Members of the **Provisional wing of the IRA**, the **South Tyrol separatists**, the **Alsatian Black Wolves**, and a shaman from the **Sioux tribe** that ran the 1972 occupation of Wounded Knee, South Dakota, are expected to attend.

Qaddafi himself presided over the third week of July meeting of the leadership of the European environmentalist/peace movements also held in Tripoli. Muslim Brotherhood operative Qaddafi, an asset of the Swiss banking families who control the neo-Nazi **Malmö International**, organized and financed the conference; the Malmö International runs both left and right terrorism through the **Black International** and **Otto von Hapsburg**, pretender to the Austro-Hungarian throne. Hapsburg still directs the political life of Austria, as demonstrated by Socialist Chancellor **Bruno Kreisky's** sponsorship of Qaddafi's activities, including meetings with the leaders of the European peace movement, during his March trip

to Austria.

Qaddafi's call to arms

The environmentalist/peace movement must now become a "liberation movement" whose energies are directed against the United States, screamed Qaddafi in a speech that went unreported in the United States. The practical consequence will be to end U.S. influence.

Alfred Mechtershiemer, a West German peace movement leader, ex-military officer, and former member of Franz-Josef Strauss's Christian Social Union, reported that Qaddafi made it clear that marches and demonstrations were not enough. Attacking U.S. military personnel and facilities, "direct-action" occupation of military bases, and similar proposals were advanced by Qaddafi, according to Mechtershiemer.

No time has been wasted in carrying these orders out, as can be seen by the recent bombing of a 5th Corps U.S. Army facility in Frankfurt. A bicycle bomb was parked between two trailers containing highly sophisticated electronic equipment. The **Revolutionary Cells** issued a communiqué pointing to their success in penetrating the security perimeter to plant the bomb.

Qaddafi ranted about his Green Book as the bible of the environmentalist movement before an audience of the "greenie" leadership which included:

Roland Vogt: leader of the West German Green Party with Petra Kelly. Throughout the conference he is reported to have been introduced as "Ayatollah Vogt." Vogt's antics have been a constant embarrassment to a Green Party that already has its hands full trying to cover for members with known neo-Nazi backgrounds.

Otto Schilly: a West Berlin lawyer most well known as a defender of RAF, the terrorist Baader-Meinhof Gang.

Gertrude Shilling: leader of the Green Party in Hesse, West Germany. Along with certain leaders of the Christian Democratic Union, who take their instructions from, the U.S. Committee for the Free World, she is trying to defeat the pronuclear Social Democratic Party governor of Hesse in the fall elections. The defeat of Governor Holger Börner could mean the toppling of West Germany Chancellor Schmidt.

Anarchist Shilling recently stated, "The Greens are aiming at abolishing Parliament, that is, participating in direct democracy. The power game of the other parties must be put out of balance, it must be destroyed."

Alexander Lange: a leader of the South Tyrolean separatist movement who is associated with the pro-Red Brigades Italian anarchist sect, **Lotta Continua**.

At the Tripoli conference, Qaddafi was open about his aims. "The institutions of the world are all corrupt. They are based on blackmail, expropriation, and profit-making. That means we are looking for alternative

economic systems. . . . Everything that we have in the world today has been fabricated. It is not real . . . only a few parliamentarians and politicians speak for 4 billion human beings. Under such circumstances peace cannot survive. . . . Your movement is an attempt to protest the existing order. You are normal citizens who want to say that your official bodies have been unable to express what you wanted.

"This underlines what I said in my Green Book, that all representation is falsification. . . . The institutions have not been able to express the ambitions of normal people especially in Western Europe. The greediness for profit has destroyed the whole environment and poisoned rivers. Man has turned into a mouse.

"The masses must take control of everything. All other institutions like governments, parties, trade unions, and regular armies must disappear. Only then will there be peace.

"In general there must be an international Green movement. The Greens must win . . . the U.S. bases in Europe must disappear as soon as possible. This must be done by mass demonstrations and protests. . . . Instead of demonstrating in the streets, one should demonstrate on these military bases. People should block water and food supplies to the bases . . . if peaceful actions don't lead to success, it would mean we have to move to military actions. This must be made clear to the masses . . . all industrial societies are uncivilized."

Objective: a Malthusian world

The objective of the forces behind Qaddafi is to pull the separatist, liberation, and environmentalist/peace movements into a single force to impose a Malthusian "one-world order," destroying nation-states through political, economic, and social chaos.

The **Pan-European Union** founded by **Count Coudenhove-Kalergi** and headed today by Otto von Hapsburg is the ideological reference for this fascist doctrine. Fragmented former nations are to be controlled from the top down by the oligarchic command center.

Hapsburg, who hopes to restore himself to the throne of a new "Holy Roman Empire," is also linked to the post-World War II reconstituted Nazi apparatus known as the Malmö International. He is a political bedfellow of an interesting crew. **Prof. Richard Falk**, a leading supporter of Ayatollah Khomeini and member of the Council on Foreign Relations, for which he wrote a report advocating terrorism as a remedy for "human-rights violations" against ethnic grouping, is an adherent of what is sometimes referred to as the cantonization doctrine. So is **Tilman Zeulch**, director of the West German-based **Society for Endangered Peoples** which publishes the writings of Otto von Hapsburg. The Society for Endangered Peoples is an organization similar to Amnesty International that propagandistically

and financially supports "ethnic minorities" and separatist terrorists such as the Basque ETA, the IRA, the Croatian Otpor, Armenians, and the separatist American Indian movement.

Likewise, **Dr. Dov Ronen**, a social scientist at Harvard University's Center for International Affairs, has recently become a widely known advocate of the "small-is-beautiful" cantonization doctrine through his new book *The Quest for Self-Determination*.

Terrorism in the name of human rights

Carrying out this mission was the IRA's double-bomb carnage on July 20 in London. Eight people were killed and 53 injured. The Provisional IRA, which took responsibility for the bombing, issued a communiqué justifying its murders by invoking Article 51 of the United Nations statutes on the right to self-determination.

Besides the IRA attack in London, the new terrorist offensive included 36 more bombings in a 48-hour period in mid-July in Europe:

- **West Germany:** eight bombs exploded in Frankfurt and one in Mannheim. All were targeted against construction firms involved in building an airport extension at Frankfurt-am-Main, a project opposed by the "greenies." Environmentalists and their terrorist allies have regularly organized violent demonstrations and occupations opposing the extension.

- **France:** on July 26, the sixth bomb exploded in Paris in as many days. An Armenian terrorist group, Orly, the French-based arm of the separatist Armenian Secret Army, claimed responsibility.

A bomb exploded in front of an apartment vacated three days earlier by former terrorist, and now Mitterrand government adviser, Régis Debray. This bombing was claimed by the French Revolutionary Brigades.

The French terror wave targeted two Israeli-connected enterprises, including the Bank Leumi, and also a PLO leader, Fadl Aldhari, who was killed in the attack. This terror wave intersects a violent factional situation among rival elements of organized crime and the Socialist government. In recent weeks, **Nick Venturi**, an associate of Interior Minister Gaston Defferre from the notorious drug-entrepôt of Marseilles, was jailed on a variety of charges. **Justice Minister Robert Badiner**, who works closely with the international "criminology" network that runs the terrorist support apparatus, is known to be an enemy of Defferre in the government. Defferre himself claimed, in response to the latest bombings, that the terrorist wave is directed against him to suggest he is an incompetent minister.

- **Holland:** two gunmen unsuccessfully attempted to assassinate the Turkish consul in Rotterdam.

- **Spain:** Twenty-two bombs were detonated in the Basque region by the ETA.

PART II

Henry Kissinger, Italy's and the assassination of

by Nora Hamerman, Editor

Before his kidnap-murder by the Red Brigades in the spring of 1978, Aldo Moro, the former long-time prime minister of Italy and president of its ruling party, the Christian Democracy, had been working on a plan to bring all the democratic forces in Italy together in governmental collaboration. This plan, dubbed the "Historical Compromise" because it would have included Italy's Communist Party (PCI) in the government for the first time since 1945, was, in the words of *EIR* founder Lyndon LaRouche, "a stroke of genius."

LaRouche notes in his forthcoming book, *The Toynbee Factor in British Grand Strategy*, that "The problem inside the Christian Democratic Party is the powerful faction of black oligarchs; the problem in the Communist Party, the other mass-based party of Italy, is a current most conveniently identified as linked to that one-time supporter of Benito Mussolini's fascist coup, Benedetto Croce. If, however, the DC and PCI are *en bloc*, the result is that the non-oligarchical Catholics of the DC and the 'Catho-Communists' [in Italian, *Cattocomunisti*] of the PCI effectively dominate the government of Italy."

Testimony in the ongoing trial of Moro's killers by Moro's widow, Eleonora, and his two children—56 Red Brigades members are defendants at the Foro Italoico in Rome—has pointed strongly to the fact that Moro was killed for sponsoring this project. His widow testified that a "very famous American political figure" warned Moro that he would "pay dearly" for carrying through the Historical Compromise. The warning, delivered most probably (according to the testimony of Moro's daughter) during a visit by Moro to the United States in 1975, undoubtedly came from the man who was then U.S. Secretary of State, Henry Kissinger—who had made no secret of his opposition to Communist participation in the Italian government.

Kissinger's (and later, Cyrus Vance and Alexander Haig's) notorious partners in the plan to block the government of national unity were the heads of the Italian Socialist Party, led by its ambitious Secretary-General, Bettino Craxi. Craxi's party polled about 10 percent of the vote in national elections. The Communists and Christian Democrats, with a combined total of over 70 percent of the electorate, would constitute an

Socialists and the Aldo Moro

overwhelming majority with no need of Socialist support, even if fractions of both large parties broke away in protest against the national unity project.

According to Eleonora Moro, it was Moro's insistence on preparing for Communist participation in the government that led to escalating threats against him from 1977 onward. Oreste Leonardi, Moro's security chief who was killed instantly in the ambush that captured the statesman on March 16, 1978, had literally begged police and governmental authorities for additional protection for Moro in the weeks leading up to the incident, after learning that Red Brigaders from all over Italy were flooding into Rome. But no help was forthcoming.

Some explanation of this obstruction came only in May 1981 when it was revealed that the chiefs of Italy's security services were members of the conspiratorial Propaganda-2 Masonic lodge, an outfit which, as *EIR* reported at the time, was at the command of nearly every major terrorist incident of "left" or "right" and every branch of organized crime activity that has hit Italy over the past decade and more.

Reporting on the trial on July 21, 1982, the Rome daily paper *Paese Sera* had this comment: "The observer finds himself forced to admit that the hypothesis of a conspiracy (perhaps at the international level), of which the Red Brigades would have been only the 'armed branch,' is becoming more and more substantiated." The conspiracy hypothesis was put forward, first and solely, by Lyndon LaRouche and his collaborators in the European Labor Party (POE) of Fiorella Operto in Italy.

In a series of dossiers, beginning with LaRouche's "Now Is the Time for Justice" in May, 1978, then "Who Killed Aldo Moro?" in October 1978, and followed by "Socialist Area—The Party of Terrorism" in the spring of 1979, the POE had elaborated the monstrous apparatus that had carried out the "attack on the heart of the State" that was the Moro kidnaping of 1978. The POE noted that only one level of this apparatus is defined by the "hard-core" Red Brigaders who captured and killed Moro, undoubtedly with the aid of organized-crime elements; crucial roles are played by the terrorist-sympathizing "left"; the mass media; the corrupt, oligarchi-

cal wing of the Christian Democrats around Amintore Fanfani; and finally the international oligarchical networks leading all the way to the Royal Family of Britain.

In their testimony, Moro's widow and children expressed bitterness at the fact that the state, vigorously backed by the Communist Party and the Christian Democrats alike, had refused "negotiations" with the terrorists. Although the family's rancor is understandable, the trial record makes clear what was already apparent: no "negotiations" would have saved Moro's life, except, perhaps, at the cost of everything he had ever lived for. This is not to say that Moro could not have been saved. The one chance of doing that would have been to proceed, as the Italian authorities did in the case of General Dozier, by attacking the top international political protectors of the terrorists and cutting off the tentacles of the illegal-drug-running criminals who gave the Red Brigaders indispensable tactical support. Failure to denounce the Henry Kissingers and their proprietors, not unwillingness to deal with thugs, was the only omission which can rightfully be charged to the Italian government in the spring of 1978.

The double-tiered Red Brigades

by Fiorella Operto from Rome

The conspicuous absentees among the caged defendants at the Moro Trial in Rome are Franco Piperno and Lanfranco Pace, the leaders of the terrorist "Autonomy" group. Extradited from France at the request of Judge Pietro Calogero of Padua, who had uncovered their role in the "political management" of the Moro crime in 1979, when his investigation revealed the identity between the clandestine Red Brigades and its above-ground branch, Autonomy, Piperno and Pace were later absolved by the "confession" of a Red Brigader turned state's evidence, Patrizio Peci. Giacomo Mancini, the Socialist Party leader who had been Piperno's patron, even threw a party to celebrate his release, attended by members of some of the oldest Venetian noble families.

Now Piperno and Pace have been fingered again by Antonio Savasta, the star witness of the Moro Trial, as "leaders" of the Red Brigades. Their story, as we shall see, is of great interest because it leads us to elements in the Italian Socialist Party (PSI).

Piperno and Pace had been crucial links in the "negotiations" between the State and the terrorists fostered by the Socialists, a topic which came up at various points

in the trial. In one hearing Savasta, who had been the jailer of another kidnap victim—NATO Gen. James Dozier—specified the horrible fraud behind the “negotiations” issue. Moro, he said, was condemned to death at the very moment of his capture, condemned for his “service” rendered to the State, for the “function” he was fulfilling.

We briefly take our readers to the scene of the hearing:

The presiding judge, Severino Santiapichi, asks Savasta: But how can one conceive of a “trial in which the accused is already condemned to die? Savasta pulls his thoughts together. He alludes to the tradition of “people’s tribunals,” and defines the trial to which the Red Brigades subjected Moro as a “political dialogue” between a slave of the system and the armed representatives of the proletariat. The judge asks Savasta if any exchange between the state and the Brigades could have led to the prisoner’s release.

Savasta answers: Neither a ransom nor anything else could have assured Moro’s release, except, perhaps, the freeing of the prisoners named in the terrorists’ communiqués. The judge asks: Why had you accepted exchanges on other occasions?

Savasta matches the iciness of his voice to the answer. Any exchange, he states, represents a further unraveling of the state. It was never a question in Moro’s case or in others, of freeing the prisoner, who was in any case already condemned, but of *the unraveling process which all negotiations would set into motion in the system.*

The entire strategy of negotiations, which Craxi put forward as a “humanitarian” effort to save Moro’s life, turns out to have been based on assumptions which were dismantled in the first hearings of the Moro trial.

The letters Aldo Moro supposedly wrote from his captivity, in which he besought talks with the terrorists, were written, corrected, and retouched by the Red Brigades. “The problem of the letters is a political problem,” Savasta explained. “The letters are the equivalent of a Red Brigade communiqué and must have political content. This political content must also contain the thought of the Red Brigades.” Aldo Moro never actually desired any “talks”; it was the Red Brigades that forced him to write those letters, which were nothing but the terrorists’ communiqués.

How much Judas’s ink was spilled by the “party of negotiations” during the kidnapping to interpret, comment upon, speculate over, and manipulate the words and “will” of Aldo Moro, who died because he did not accept collaboration with his torturers.

The role of the media

One entire chapter of the European Labor Party’s 1978 Moro Dossier had been dedicated to the press and

the role it played in furthering the Red Brigades’ designs of “unraveling the state.” We singled out the press empire of Count Carlo Caracciolo for its ferocious attacks on the state; and we specifically identified the journalist Mario Scialoja of the weekly *L’Espresso*, as a tie between the Red Brigades and the media. Scialoja, writing from New York, libeled the POE.

At the trial in Rome, another repentant terrorist, Massimo Cianfanelli, revealed that there was a link between the parties to the “negotiations”—the Morucci-Faranda couple, who claimed to have “split” out of the Red Brigades but were completely involved in the organization’s leadership; Socialist Party protégés Piperno, Pace, and Scalzone, who were also “Red Brigades leaders”; and *L’Espresso*, the weekly magazine published by the luridly environmentalist Caracciolo family.

It was probably Franco Piperno and Lanfranco Pace, formerly linked to the magazine *Metropoli*, who maintained relations with the media at the time of the kidnapping and manipulated the course of the “talks” through articles, releases, and messages. “Morucci and Piperno,” Massimo Cianfanelli confessed, “used to discuss this project . . . about how to use the magazine.”

In Savasta’s testimony these two, both currently fugitives from justice (Piperno is seeking permanent “political asylum” in that disguised colony of Her Majesty Queen Elizabeth II, Canada, which has twice refused the Italian government’s request to extradite him for this trial), are termed without qualification “Red Brigades leaders.”

“Pace joined the Red Brigades in 1977 and was briefly part of the service brigade,” says Savasta. Cianfanelli, the other state’s witness, recounts that “Morucci and Faranda were very close to journalists from *L’Espresso*. . . It is possible that information traveled the route Morucci, Faranda, Piperno, Pace, Scalzone, *L’Espresso*.”

This testimony gives a very different picture, of course, from what was presented through *L’Espresso* and Bettino Craxi’s Socialist Party at the time and afterward. The mediators, Piperno et al., were supposedly members of the “movement” but not of the terrorists; Morucci and Faranda were “former” Red Brigaders who split away in horror at the decision to kill Moro; Scialoja was an enterprising investigative journalist who somehow managed to get hold of exclusive interviews with fugitives.

Obviously, one of the reasons for the so-called splits in the Brigades must have been *the need to supply covers* for the irregulars who, like the arrested Red Brigader Prof. Giovanni Senzani, the criminologist (and who knows how many others, still walking around free) maintained high-level contacts with the outside world



Henry Kissinger with Aldo Moro

(cabinet ministers, political parties, secret services). Pace and Piperno had to be “covered” for a certain period, given the role they played, for the negotiations.

The Red Brigades used the “hard-cop, soft-cop” method against the Italian government. Various forces push on “humanitarian” grounds for the state to surrender, while the Red Brigades harden their tone, organize psychological warfare, and threaten to kill the hostage. The methods of the Tavistock Institute—well known to Senzani, who had been trained in them through the EuroGroup—prescribe that such conditioning will make the victim collapse more quickly and fully than simple torture alone.

If the role of “soft-cops” Piperno and Pace enjoyed adequate cover in the Socialist Party, what was the Socialist Party’s cover? What role did Senator Landolfi, who had financed *Metropoli*, play? Or former PSI Secretary-General Giacomo Mancini, or his lieutenant, Hon. Claudio Signorile, or the prime ministerial aspirant Bettino Craxi?

“Were the PSI’s negotiations limited to occasional meetings of more or less self-styled mediators, or, even unwittingly, had they reached the jailers of Moro?” The question is raised by Hon. Violante, the Communist Party deputy and former magistrate from Turin. And further: “In the letters which the jailers had Moro write . . . is there information they should not have known? . . . Did there exist a ‘secret channel’ between the Red Brigades and the outside world?”

Referring to the Red Brigades “executive committee members” now on trial in Rome, Savasta then adds, “Concerning the Moro affair, Seghetti, Balzarani, Gallinari, Moretti, and I myself did not have any doubt about the fact that Morucci and Faranda were the extension of Piperno and Pace in the Red Brigades circles.” Balzarani and Gallinari were Moro’s executors, who fired the fatal bullets into his body in the trunk of the car where it was found. The so-called dissidents Morucci and Faranda were so much a part of the Brigades that at the end of Moro’s captivity, they argued in internal meetings (Savasta recalls) for the need to support the magazine *Metropoli* as a “synthesis with the various revolutionary impulses, which surely would not assume a position contrary to the Red Brigades’ line.” The support to which Savasta alludes was given, and was confirmed by other statements of the same “repentant” terrorist, showing that relations between *Metropoli* and the Red Brigades were extremely close.

As *EIR* founder Lyndon LaRouche wrote in his May 1978 pamphlet, “Now Is the Time For Justice,” a terrorist group is a closed system, insofar as the stage-manager of terrorism devises the terrorist structure, as in a computer, on the basis of ideological tracks (false trails that lead, for example, to defining terrorism as KGB or CIA, as “red” or “black”), chosen by the profile of the population or of those elites which are terrorism’s victims, or a logistical profile. From this

standpoint, as LaRouche insisted, the relations between Mafia and terrorism are "organic" relations and not merely logistical, or a temporary alliance, although it may appear that way. The announcement July 20 by the Naples column of the Red Brigades that it is officially unifying with the local Mafia, the Camorra, corroborates this.

The controller of blind terrorism looks down from above at the apparatus he has created over decades: he arrives at the point of shameless boldness in "predicting" future developments, as occurred last October, when Craxi "predicted" that the terrorist wave of the summer should reach a new crest at the end of autumn (the Dozier kidnap occurred punctually on Dec. 17).

These predictions serve to condition the range of political choices of the victims and to manipulate the targeted population.

Through the declarations of the repentant terrorists, which while obviously not entirely truthful or precise are broadly plausible, we begin to get a glimpse of the inner workings of terrorism at a level which, in Savasta's case, is that of the "regular" or the manual laborer of terrorism. The discussion may shift slightly for the Executive Committee of the Red Brigades, but their testimony gives us a very limited picture. The case of Morucci and Faranda, Piperno and Pace represents a slightly higher level; it leads us to a fuller comprehension of the confessions of the state's witnesses. It could, moreover, lead to a reopening of the investigations into the involvement of Prof. Antonio Negri and Autonomy—exonerated from the Moro crime when terrorist-turned-informer Peci testified that the famous "voice" of the kidnapers' phone calls to Eleonora Moro was not Negri as had been supposed.

If, in fact, Piperno and Pace were always part of the Brigades leadership, but denied this until Savasta's testimony and played the role of "pinch-hitters" during the negotiations period, feeding into Craxi's game-plan to capture the prime ministership after a devastating capitulation of the State to the terrorists, who knew that Piperno and Pace did *not* negotiate for a humanitarian wing of the movement but for the Brigades themselves? What "director" was observing the unfolding of events, from a more complete point of view, from a higher position? We believe that one "higher level" of the Red Brigades strategy can be located among those politicians of the PSI who throughout the entire period maintained relations with Piperno, Pace, and Scalzone. We believe that precisely this chain of relations between the Red Brigades and "outside" is the knot to be untied in order to definitively understand how terrorism works, and how to defeat it. And we believe firmly that the Truth with a capital T is the most needed homage to the memory of Aldo Moro and dozens of other heroes, victims of terrorism who did not negotiate.

Profile: Part I

Mexico's insurgent PAN the Inquisition networks

by Timothy Rush

The Mexican government's claims that 80 percent of the electorate voted in the July 4 national elections, and that 75 percent voted for the ruling PRI party's candidate, Miguel de la Madrid, has served to stabilize the political environment in the country for a short while.

The time has come to appreciate the real watershed the elections represented, however. As the National Action Party (PAN) continues violent actions such as the blockade of the Pan-American highway south of Nogales July 26, the emergence of the PAN as the "second force" in the country must be examined and understood for what it is.

The PAN party is not a "right-wing Catholic" domestic force, as many in Mexico believe it to be. It is emphatically not "a free-enterprise party, something like the Republican Party in the United States," as State Department officials are informing callers. It is the direct product of 80 years of proselytizing in Mexico by the same European monarchists who created the fascist movements in Europe. The PAN is the spearhead of mass "left" and "right" disruption in Mexico, designed to flourish in the environment of economic strangulation of the country now being overseen by the Wall Street, London, and Swiss banking circles who brought Hitler to power in Germany by the same means two generations ago. The PAN incarnates the revenge of the feudalists in Europe, today grouped around Otto von Hapsburg's Pan-European Union, who have never forgiven Mexico's *republicanos* for executing the Hapsburg emperor of Mexico, Maximilian, in 1867.

It is Mexico's new Inquisition.

In the July elections, the PAN received an official 16 percent of the vote. Its 4 million votes were concentrated in the middle-class districts of the large cities—Mexico City, Guadalajara, Monterrey, Puebla—and in the northern border states. Reliable though unofficial counts place the PAN vote in the 20-25 percent range. The next-largest vote, by official as well as unofficial estimates, was the Unified Socialist Party's (PSUM) 6 percent. In the state of Sonora, all qualified observers admit the PAN received some 70 percent of the vote; the party virtually controls the state, in the continuing rampage of violence and intimidation which it dubs "the mobiliza-

is a creation of in Central Europe

tion for national insurgency.”

Buckleyite networks in the FBI and in the U.S. State Department were instrumental in promoting the PAN vote. An intimate of the U.S. embassy staff in Mexico City told *EIR* that the embassy was “definitely” working to build the PAN vote and had been committed to this “for at least the past four to five years.” Leading personnel for the project were drawn from the U.S. International Communications Agency (USICA). In Sonora, every PAN move was closely coordinated with the U.S. consular office in the state capital of Hermosillo. On the day of voting, July 4, the PAN mayoral candidate of the city, Casimiro Navarro, even spent the duration of the balloting in the U.S. consulate until the voting was completed.

Unless the PAN is undercut through coordinated international action, Mexico will soon cease to exist as a sovereign, republican nation-state. It will become a horror of Jacobin Iran-style disintegration. The problems posed for the United States will make current hotspots throughout the world pale in comparison.

Year of the Anti-Christ

“This is the year of the three '60s' for Mexico: 60 percent inflation, 60 percent interest rates, and 60 pesos to the dollar. Everyone is afraid that these three 60s will represent a disaster for the country. '666'—that is the anti-Christ.”

These are the words used in a private interview in the third week of July by José Angel Conchello, president of the PAN from 1972-75, and the PAN's senatorial candidate this year in Mexico City. He was referring to the Satanic cult among Christian fundamentalists around numerological representations in the Book of Revelations.

He knew what he was talking about. In his own electoral district in Mexico City, the PAN campaigned with leaflets calculated to prepare the population for an economic and political apocalypse, using the same religious imagery. “1982 is the year of martyrdom. 1983 is the year of the Redeemer,” the PAN leaflets proclaimed. It was a pitch to the superstitious fears of frightened housewives, poor workers, and newly arrived rural families, drawing on the methods the Dominican

Inquisition has practiced since it was officially installed in Mexico in the 16th century.

Conchello invoked the spirit of the “anti-Christ” in an interview while attending the fourth World Futures Congress in Washington, D.C. It was the same milieu of “futurists” which played such a prominent role in bringing Mussolini to power in Italy in the 1920s. In his own writings, Conchello prefers to highlight his support for Nazi models (see page 43).

The solidarist roots of Nazism and the PAN

The common lineage of the PAN and of the Nazi movement traces back to those European circles who at the turn of the century seized upon the *Rerum Novarum* encyclical of 1891, reaffirmed later in the *Quadragesimo Anno* encyclical of 1931, to elaborate a series of doctrines known at the time as “Catholic Action.”

These doctrines were termed *democratic corporativism*; in some Catholic circles they were and are known as *solidarism*; in England they took the name of *Fabian socialism*, of *guild socialism*; and through the Strasser wing of the Nazi movement, they gave the name *national socialism* to the Nazi cult.

A neo-feudalist order was counterposed to the “twin materialisms, atheistic communism, and laissez-faire capitalism.” All segments of the population must be given their “basic needs”, no one “left out in the cold.” Workers should participate in the profits and management of the factories, under a corporatist system involving workers, employers, the Church, and the state. Above all, decision-making “must be returned to the people,” through what was later called local control, maximum decentralization of power. It was a prescription for the elimination of the modern nation-state.

Think of the program of the “Solidarity” movement of Poland. That is a pure-bred example of the doctrine.

In March 1982, PAN presidential candidate Pablo Emilio Madero called together the press to announce that the PAN was “neither capitalist nor socialist. It is solidarist.” The leading theoretical magazine of the PAN inner circles, edited by the brother of PAN president Jesús González Schmall, is called *Solidarism*.

Madero's statement summarized an 80-year period of European oligarchic deployment into Mexico to create such a movement. The Catholic Action doctrines, brought by Jesuits into Mexico starting at the turn of the century, were used as the basis for a university movement and then a mass peasant movement in the backward central-west region of the country.

In 1926-29, under the leadership of many men who later were instrumental in the founding of the PAN party, superstitious peasants were led in a bloody crusade against the secular, modernizing Mexican state, a crusade known as the Cristero Rebellion. Tens of thousands died; in 1929, when the Cristeros surren-



José Angel Conchello, former PAN president: an admirer of Nazi economics

dered, 15,000 rebels laid down their arms. Much of the outside funding came through channels of U.S. oilman William F. Buckley, Sr., and North American propaganda for the Cristeros was run through the U.S. branch of Catholic Action, the National Catholic Welfare Conference.

Blood and soil

The first reorganization decreed by the elites which had run the Cristero uprising was the **Legion**, created as a secret, elite, lay organization in late 1932. It was composed of "selected, devout Catholics, usually from Marian congregations trained in the Jesuit *Spiritual Exercises*," who took special vows of loyalty to the Legion, writes one historian. Members of one cell did not know the members of any other cell. The ideological direction was taken from the encyclical of the year before, *Quadragesimo Anno*.

The immediate predecessor formation to the PAN was the **Base**, created in 1934 to replace the ineffectual Legion. To this date almost nothing is known about this highly secret formation, except that it was founded on corporatist lines—separate sectors for peasants, workers, and professionals.

In 1937 the peasant wing was brought into the open as the **National Sinarquista Union (UNS)**. It took its name from words meaning "without anarchy"; under a rigid hierarchical command structure, "it exalted medieval corporativism, Spanish culture, order, discipline, Franco's Spain, paternalistic Catholicism, and private property," in the words of an historian. Secret handshakes, codewords, and salutes separated the uninitiated from the true believers.

It was the same "blood and soil" ideology as that of the Nazi movements in Europe. "Farmers of Mexico," proclaimed one Sinarquista manifesto, "Come join us, join the movement of the people of the land, of those who love the soil, defend it, and in so doing, defend the fatherland!"

A coup d'état was planned against the Mexican government, according to the testimony of Base leader Luis Calderón Vega. Conditions did not mature. In September 1939, as Hitler's shocktroops marched into Poland, the professional sector of the Base was reorganized as the PAN party. "National Action" was deliberately chosen to suggest overtones of "Catholic Action"; "National Corporatists Union" and "Mexican Falange Party" were the narrowly rejected second choices.

An historian sympathetic to the PAN cites the views of a contemporary observer: "PAN is the brain, cold, calculating, and proud; UNS is the heart, burning, blind, fanatical, and willing to shed its blood to the very last drop." For the next 15 years the two groups were to form an official electoral alliance; memories of the Cristero debacle were too fresh in mind for a renewed armed struggle to move ahead at that time.

The Hapsburg pretenders

Solidarism masquerades as often in "left" disguise as "right"; its Jesuit, neo-feudalist core transcends such conventional schemes. It is a pure product of the oligarchic mind, and therefore it should be no surprise that the European monarchical restorationist movements have been behind it from the beginning.

Charles Maurras, the founder of the Catholic Action group Action Française in 1898, was in the service of the Orleanist pretenders to the French throne. Today it is the circle of the heir to the Hapsburg throne, Otto von Hapsburg, and Hapsburg's Pan-European Union, who direct the solidarist disintegration of nation-states from behind the scenes.

Scratch these sophisticated social engineers and a crude monarchism comes through. "All intelligent men are of course monarchists," said Hapsburg intimate Erik von Kuehnelt-Leddihn, a founder of the Buckley *National Review* magazine, in an interview in late June. "The failure of democracy and republicanism is inevitable. The distance between the actual knowledge of the voters and the theoretical knowledge required to govern today is a vast gulf. Therefore democracy is doomed to fail in our world with its global problems."

Or take the words of Warren H. Carroll, the president of Christendom College in Virginia. Christendom College, recently founded with the direct collaboration of both Otto von Hapsburg and William F. Buckley, Jr., advertises in its catalogue that it "offers political science majors a total of 27 credit hours from the advanced political science curriculum, including solidarism." Carroll writes at the beginning of his 1971 book, *Red Banners, White Mantle*: "November 21, 1916. His Imperial and Apostolic Majesty Francis Joseph, of the House of Hapsburg, was 86 years old. . . ."

Long ago, in that distant year of Europe-wide revolution, 1848, Francis Joseph had come to power in a torn and distracted land. . . . The years rolled on, one after another bringing hammer-blows directly upon Francis Joseph's stout heart. His brother Maximilian was shot by the Church's sworn enemies at Queretaro in Mexico, on the Hill of the Bells."

What these oligarchists lost on the Hill of Bells they confidently believe they are now winning back through the PAN's 4 million votes and its open "mobilization for national insurgency."

The PAN's solidarist "Catholic Action" ideology is perfectly compatible with Nazism—as it was in the 1930s. Former PAN president José Angel Conchello avowed the connection immediately after he left his term of office (1972-75). In his own words:

The economic recovery program of the country [Mexico] needs the idea of a great banker: Hjalmar Schacht, director of the German central bank during the Hitlerian empire. We must invest work to create capital . . . among us what is abundant is our manpower, our desire, our will. (*El Universal*, Dec. 17, 1976.)

How to turn work into capital? Conchello passionately urged the establishment of Hitler's forced work programs (Arbeitsdienst), the forerunner of the concentration-camp system, in Mexico:

In Nazi Germany, the *Arbeitsdienst* was set up, the Forced Labor Service for youth, which was given an enormous boost, not just for its economic utility but also its educational content.

In countries such as ours where there is abundant manpower, we should create a "national manpower budget." . . . We can establish a mobilization of youth labor through conscription on Sundays or a national work service. . . .

The other principle which must orient our development is that of avoiding gigantism at all costs. . . . We require a program of small industry and small agriculture, incorporating millions of people in thousands of communities into active life. . . . It will be a hotbed of businessmen of modest means and organizers who, although they don't know fully how to read or count, will be useful to their families. It will keep the youth in their places of origin; perhaps help brake the human avalanche moving to the large cities. We will create a new generation of men rescued from rural neglect and from urban massification; they will not be inert masses, but as Teilhard de Chardin dreamed of, "cosmic energy personified." (*Agony and Hope*, by José Angel Conchello, 1978.)

GUATEMALA

The controllers of Ayatollah Ríos Montt

by Gretchen Small

A mass fundamentalist experiment is under way in Guatemala, begun with the coup of young colonels who installed Gen. Efraín Ríos Montt at the head of a new ruling junta on March 23. The sole ruler following his purge of rival junta members in June, Ríos Montt is a professed "born-again" fundamentalist, converted by the same Ukiah Valley, California cultists who created the Rev. Jim Jones. In four months of power, Ríos Montt has displayed the profound statesmanship of Jimmy Carter, the sentimental enthusiasm of Ayatollah Khomeini, and the rationality of Colonel Qaddafi.

The General is a preacher at the Church of the Word, an affiliate of the obscure sect, Gospel Outreach, which has its headquarters in Ukiah Valley. Ríos Montt's Sunday effulgences on Guatemalan TV are only one part of the show. Protestant fundamentalist missions representing some 22 sects have pumped dozens of missionaries and upwards of several hundred thousand dollars into Guatemala since March. American "born agains" such as Pat Robertson's lucrative "700 Club" broadcasts, have called on their listeners to offer prayers for the success of the new Guatemalan regime.

Certain members of the U.S. State Department and Reagan administration are busy promoting the image of the General as a change from the rather bloody record of previous Guatemalan rulers. General Ríos Montt's promises to clean up the death squads in the cities, wipe out corruption in military ranks, and rule with an evangelical touch has already opened the way for a resumption of U.S. military and financial aid to Guatemala, halted under Jimmy Carter's human-rights rubric.

A scorched-earth strategy

Ríos Montt's claim to govern by the grace of God has been accompanied by the declaration of a state of siege July 1 as the first step in what the General has called a "final war" upon guerrilla movements in the country. He has called up all reserves between the ages of 18 and 30 into the army, militarized life in the countryside with threats to put women and journalists under arms if deemed necessary, strictly censored reportage of internal events, and banned political activity by parties for two years.



Ríos Montt (c) in March 1982

The state of siege followed a one-month amnesty for anyone who turned in their weapons and the release of army officers previously convicted of "abuses in power" in their anti-guerrilla zeal. After July 1, Gen. Ríos Montt proclaimed, any Guatemalan found with an unauthorized weapon will be brought before special military courts, and executed by a firing squad in the center of the nearest town square.

One Texas fundamentalist missionary, now working closely with the Ríos Montt government, stated in an interview last month that "the display of force seen so far is only the beginning. This government is committed to use the necessary force to suppress anarchy. My friends tell me there is going to be a bloodbath in the next few weeks. . . . As in any war, a lot of innocent people will be killed."

The missionary went on to praise Ríos Montt as a "true believer." "We evangelicals," he explained, teach that people must "submit to the authorities that be," and Ríos Montt will assure that happens.

For some 28 years the same scorched-earth counterinsurgency strategy has been attempted in Guatemala, to greater or lesser degrees, never once bringing peace to the country. Ríos Montt himself estimated that some 150,000 people have died in the past 10 years of battles, in a recent interview with the *Financial Times* of London.

Destabilization of Mexico is a principal target of this new counterinsurgency campaign, not the restora-

tion of order. The number of Guatemalan refugees pouring across the border into Mexico has risen massively since the state of siege was imposed, Mexican government officials report. The Guatemalans are fleeing ceaseless helicopter and ground attacks along the border. With over 70,000 already estimated to have crossed into Mexico in the past year, "theology of liberation" operatives and Marxists in the south of Mexico are using these refugees as a base for organizing an uprising against the Mexican government.

'Walters's baby'

The Ríos Montt government is the special project of representatives of European oligarchy insinuated into positions of power in the State Department and U.S. intelligence circles, who have used Central America as a testing ground for depopulation warfare since 1979. Military distrust of Ríos Montt's "Ayatollah" posture has been quieted since the coup by pressure from Washington. The military has been told that if they wish to see U.S. aid, the General must stay in power.

Luigi Einaudi of the Propaganda-2 associated family of Milan, lodged in the State Department's Policy Planning Group for Latin America during a longer span of time than his fat associate, Henry Kissinger, is credited with still acting as the leading architect of Ibero-American policy. Another mole is John Negroponte, the current U.S. Ambassador to Honduras, now rumored as a possible replacement for Thomas Enders

as Assistant Secretary of State for Inter-American Affairs.

According to reliable sources in Congress, the Ríos Montt operation is "Vernon Walters's baby," as one source stated. Walters's role as Special Ambassador for the erstwhile Secretary of State Alexander Haig is only one aspect of his blackmail capability against the Guatemalan opposition to Ríos Montt; Walters has economic interests in Guatemala as well.

In 1979, one of his few years of unemployment as the official spook's spook within U.S. administrations, Walters worked for Basic Resources International, S.A. (BRISA) as a representative to the Guatemalan government. BRISA, owned by Anglo-French interests with a little Rockefeller money mixed in, was the first company to explore for, and find, oil in Guatemala in the mid-1970s, and it currently holds title to exploration and exploitation rights to about 1 million acres in the Franja Transvaal of Guatemala which borders on Chiapas, Mexico. In most of its years of operation, the company has been involved in disputes with Guatemalan governments, demanding easier terms and bigger tax breaks for its concessions.

The year Walters officially went on the payroll of the corporation, the director of Credito Varesino, an affiliate of Roberto Calvi's Banco Ambrosiano, joined the board of BRISA, while Sir James Goldsmith, a director of the Banque Rothschild who heads the French-based Générale Occidentale company and the Groupe L'Express publishing house, bought into BRISA.

Nominally, Walters resigned from all private positions upon joining the Reagan administration, but sources in Guatemala reported that as late as a May 1981 "silent mission" to Guatemala, Walters represented the interests of the company during his private meetings. (Walter's continuing relationship to the Calvi-centered interests broke into the public domain six months ago when reports appeared in the Italian press that General Walters had been dispatched to Italy to hush up the revelations that another Haig "adviser," Michael Ledeen, had been involved in payoffs for the terrorist-linked Propaganda-2 Masonic Lodge with which Calvi was prominently associated.)

Evangelical anthropologists

Ríos Montt's "bloodbath" is a fine-tuned experiment, bearing the markings of the planners who have set this process in motion. Behind the announcement that elections have been postponed two years is a plan to establish a corporatist state, London's *Latin American Newsletter* reported in mid-July. Relatives of Ríos Montt are proposing a form of government dubbed *equicracia*, in which a council of state with representatives of the private sector, military, Indian groups, and

government would rule. Economic policy is being developed by the Friedmanite ideologues of the Mont Pelerin Society, out of their Guatemala City center in the Francisco Marroquín University.

Most fundamental in the long term is the growing threat of religious war erupting in Guatemala off Ríos Montt's rule, pitting evangelical Protestant sects allied with the government against the nominally Catholic Theology of Liberation espoused by the leadership of the guerrilla groups.

An estimated 15 to 20 percent of Guatemala's population now considers itself evangelical Protestants, a striking proportion in a largely Catholic Ibero-American country, which developed over the past decade with an influx of foreign missionaries. Anthropologists busy observing Guatemala stress that evangelicism, functioning more as a "movement" than an organized institution, tends to expand its ranks en masse when whole villages follow a strong leader who converts—a profile that stands behind the decision to place a fruity evangelical in power.

The religious tags are only means to whip masses of Guatemalans into the fanaticism of both sides; the teachings and outlook of the Protestant fundamentalists are identical in substance to those of their opponents. Protestant evangelical work, like that of the left radicals, has targeted the "dialect-speaking peoples" in the country for recruitment—the Indians with anthropologists designing the preaching.

The work of World Vision, a financial backer of Ríos Montt's Church of the Word as well as other sects in Guatemala, is exemplary. Based in Pasadena, California, World Vision is one of the largest "non-denominational" centers of missionary work internationally, handling everything from refugee camps in Somalia, Cambodia, El Salvador, and Honduras, to running "leadership training centers" for new missionaries on every continent. World Vision's Summer Institute of International Studies in Pasadena trains its missionary students in "anthropology and cross-cultural communication," jargon for "respecting" poverty and bestialization. Its literature stresses that missionaries will "respect" the conditions in which they find people, since for them, "Christian development" requires reversal of "technological, bureaucratic society," and recognition that the world has limited resources. The dangers of "overpopulation" are not left out of the proselytizing.

A computer center is maintained in California to monitor fundamentalist missions internationally, hinting at the usefulness of these cult "missions" to intelligence networks. Called MARC, for Missions Advanced Research and Communications Center, the computer center is headed by "born-again" Air Force Intelligence specialists mapping the anthropological profiles provided by the fundamentalists.

The Frankfurt mafia

Part I of Volcker Hassmann's expose of the city's international dirty money-men and their assets in the three dominant West German parties.

Nearly everyone who hears the name of the principality of Liechtenstein associates something with it, a tax paradise and lax banking regulations. Malicious wiseacres say that all one needs to set up a business in Liechtenstein is an empty spot next to the doorbell to screw in the company name-plate. And indeed in the Liechtenstein capital of Vaduz today there are virtually more "establishments" than residents.

So the founding of an establishment is nothing out of the ordinary in Vaduz. But an establishment of a very particular sort came into being after one quite unusual gathering. In 1969 Prince Emanuel von und zu Liechtenstein; the consular representative of the banana republic of El Salvador, Franz Gstöhl; and members of the German Christian Democratic Union party met in Liechtenstein to found the "European Business Consulting Institute" (EU). The EU was simply a letter-drop, a channel for covert contributions to parties in the Federal Republic of Germany. Businessmen in Germany concluded deals for non-existent expertise and reports with the EU and transferred payments of five- or six-digit sums to Vaduz. These were tax-free payments, which were then funneled back into the Federal Republic and lavished upon the party coffers.

Many readers will shrug their shoulders and think: "Another party financing scandal, so what?" But this one was different. Certainly the Vaduz arrangement had more style than Walter Leisler-Kiep's signature-machine. [Leisler-Kiep, the leader of the Christian Democratic Union in the city of Hamburg and an aspirant to the chancellorship, is known for his foppish good looks—ed.] But the decisive factor that makes this affair so interesting is the person who arranged the meeting in Liechtenstein: Dr. Tibor Rosenbaum.

Rosenbaum, the Geneva banker, was a free-spending man. In August and September 1972 he gave two contributions of 50,000 deutschmarks each to former Hesse Governor Albert Osswald, which were deposited as loans in the treasury of the Social Democratic Party (SPD). Naturally there was a motive for Rosenbaum's magnan-

imous gesture. Under Osswald the Hessische Landesbank (Helaba) had been deeply involved with Rosenbaum's Banque de Crédit Internationale (BCI) and had prevented it from collapsing, if only for two years. The Vaduz party financing mechanism functioned up until 1976, the period in which the fallout from the Helaba-BCI scandal of 1974 hit politicians and bankers in the Federal Republic.

The true background of the so-called Helaba affair, which really should be called the Rosenbaum affair, came to light neither in the press nor in the innocuous investigation committee set up by the Hesse state parliament. The fact is that Helaba had hooked itself up to BCI, a bank entangled with the worldwide network that finances the drug trade and organized crime. For two years a governor of Hesse sat on the board of an international drug bank—that is the real Helaba scandal.

Who was Tibor Rosenbaum?

Geneva is the city of Calvin and Voltaire. Someone once described the façades of the patrician houses, which indicate wealth but lack any superfluous ornamentation, as "Calvinist Baroque." In this city resided Dr. Tibor Rosenbaum, a financier who shared with Calvin the creed that one is properly bound by one's own conscience alone.

A Hungarian Jew, Rosenbaum emigrated to Palestine for a time, with the help of Britain's Jewish Agency, and after the founding of the state of Israel was the first Department Chief for Logistics and Finance of its foreign secret intelligence agency, the Mossad. He came to Switzerland in 1951 with full diplomatic status as an agent for Israeli immigration. But as there was virtually no emigration from Switzerland to Israel during this period, his move must have had some other cause. More of that later.

During the mid-1950s, shortly before the 1959 founding of the Banque de Crédit Internationale in Geneva, Rosenbaum exchanged his Israeli diplomatic papers for Liberian documents. For this he was indebted

to his close personal and business relations with the then-president of this African tax paradise, William Tubman.

Rosenbaum's activity for the Israeli secret service is also documented from Israeli sources. After 1948 nearly 90 percent of Israeli weapons purchases went through the BCI. In their biography of Mafia boss Meyer Lansky, the Israeli journalistic team of Eisenberg, Dan, and Landau points out that "the financing of many of the most daring operations of Israel's secret service is made possible by credit from the BCI."

Rosenbaum's career was always accompanied by scandals, but remarkably enough nothing was ever pinned on him. During the 1950s, Israeli Health Minister Yehuda Spiegel had to resign and languished behind bars for accepting bribes to place orders with the Helvis Trust Society. This society "for the promotion of trade between Israel and Switzerland" had been founded in 1949 by Rosenbaum. Close friendship also bound Rosenbaum with members of the European oligarchy. Prince Bernhard of the Netherlands invited him frequently to The Hague to advise leading Dutch bankers on successful business practices.

Helaba had hooked itself up to BCI, a bank entangled with the worldwide network that finances the drug trade and organized crime. For two years a governor of Hesse sat on the board of an international drug bank—that is the real Helaba scandal. Tibor Rosenbaum's CBI was basically nothing but one of the most important transfer points for Meyer Lansky's Mafia.

Dr. Rosenbaum was a many-sided man: doctor of philosophy, Chagall collector, and disciple of astrological cults. He was treasurer of the World Jewish Congress, the pre-eminent international Jewish organization, and held numerous posts in other leading Zionist organizations. The BCI was founded in 1959 and by 1963 was described by the *Neue Züricher Zeitung* as the largest of the newly founded Geneva banks. Its board of directors had an exotic political flavor, including the Liberian Foreign Trade Minister and various Geneva lawyers. Alongside them were Denis de Rougemont, a



Walter Hesselbach

member of Swiss military intelligence who plays an important role in the World Federalist organization, and Ronald Brown, the brother of Lord George-Brown, British Foreign Minister under Harold Wilson.

Rosenbaum maintained an insurance agency in London to make contributions to then-British Prime Minister Wilson. Pierre Dan should also be mentioned; he worked for Lehman Brothers Kuhn Loeb investment bank and is suspected of having been the string-puller behind several OAS assassination attempts against French President Charles de Gaulle. And in 1972 the list was extended: Albert Osswald and Helaba chief Wilhelm Hankel were added to the board.

The Swiss connection

The Cointrin airport in Geneva does not differ greatly from other international airports. Here too are the tourists and businessmen with pinstripes and hand luggage, perhaps just a bit more highbrow. And yet it is very different indeed.

There are passengers here who could certainly not be described as tourists and who are only businessmen in a very special sense of the word. One finds them most frequently on the flights between Geneva and Rome, Miami, the Bahamas or Bermuda, and their business interests are limited exclusively to so-called suitcase deals. A not inconsiderable portion of these deals involves the transfer of dirty money from international organized crime.

How does this funneling of illegal money into the banking paradise of Switzerland occur? Italian courts have recently provided highly revealing glimpses into the mechanisms and export routes of this "money

laundering." Since the beginning of this year the Italian authorities have succeeded in exposing the connections among the Mafia, the drug trade, and terrorism, providing crucial new leads to uncover the financial institutions and organizations that illegally export to Switzerland their proceeds from the Sicilian heroin trade.

According to this information, the drugs would go in this case via Sicily to their final destination in the United States. A centralized courier service in Florida gathered together the proceeds of the sales and dispatched them as cash in a stream of tourists to Swiss and Italian banks in Bermuda, an hour's flight away. These banks credited the money upon receipt. Then it would be either transferred to the corresponding bank in Switzerland and officially forwarded back to Italy, or it would stay "parked" for an extended period in a bank account. In the latter case, the interest would be credited to the client, who could then claim "credit" from the same bank.

Drug revenue was dispatched by courier service in a stream of tourists from Florida to Swiss and Italian banks in Bermuda. These banks credited the money upon receipt. Then it would be transferred to the corresponding bank in Switzerland and forwarded back to Italy, or would stay in a bank account whose interest was credited to the client.

This example of the Italy-United States-Bermuda-Switzerland-Italy route for drug money constitutes just one modus operandi which is classic for the "Swiss connection." It is difficult to imagine how many suitcases have been hoisted over the counters of the BCI over the years. What can be ascertained is the brisk "business relation" of the BCI in Geneva with the head of what is probably the most powerful crime syndicate of this century: Meyer Lansky. Rosenbaum's BCI was basically nothing but one of the most important transfer points for money from countless gambling, smuggling, extortion, and drug deals of this Mafia.

With its marble and gold portals, the BCI resembled the other venerable financial institutions in Geneva. But

just a few steps more and one would reach a side street and then find oneself suddenly at the back entrance to the bank on the Rue de l'Université. Through this door a quite remarkable sort of customer traffic took place. An astonishing stream of couriers would lift the latch and millions in cash would flow in in elegant leather suitcases, sent by the Lansky syndicate to Geneva.

The Lansky couriers

These earnings came from the gigantic empire of the Lansky group, which got its start in gambling and whiskey-smuggling during Prohibition in North America, and soon grew to be an international multimillion-dollar operation. The ill-gotten gains were, so to speak, on the lookout for a tax-free homeland. Before the Second World War and then in the late 1940s and early 1950s, they were transferred to a number of other Swiss banks, but in the 1960s the lion's share was disbursed through the BCI. *Life* magazine in 1967 published a series on the BCI, evidently prompted by tips from the FBI, and an astonished American public could read that there were some well-known names among Lansky's couriers.

One among them was Sylvain Feldmann, a Swiss. He had had a career that every Swiss *paterfamilias* would have dreamed of for his offspring: from the study of economics with specialization in banking, right to the main floor of one of those venerable institutions on the Square. Feldman became manager of the BCI. Had Feldmann's father seen what took place on March 19, 1965 at the airport in Miami, Florida, he would have been amazed at just how far-reaching the responsibilities of a bank manager of the BCI could be. On that day Feldmann was busy loading suitcase after suitcase full of American dollars into his truck. He dropped a slip of paper which was later found and given to the authorities. It read: "This is to confirm the receipt today, Dec. 2, 1964, of \$350,000 in American banknotes for credit to the Maral account 2812 at the International Credit Bank in Geneva, delivered to me in the presence of the undersigned." One of the undersigned was John Pullman, a partner of Lansky.

Pullman had founded the World Commerce Bank of Nassau in the Bahamas, through which, according to *Life*, \$10 million in illegal monies had been "laundered." Later on he lived in Switzerland and was one of the most important couriers for Lansky, who in turn shared the Nassau enterprise. Lansky and Joe Stacher, his closest associate since their first days together in New York's Bronx, both had accounts at Rosenbaum's BCI; Lansky's account used the password "Bear."

The connection between Rosenbaum and Lansky had been set up by Feldmann when he heard that enormous sums of money from the American under-

world were being transported into Switzerland. In Geneva circles, the Rosenbaum-Lansky connection was known as "the Kosher Connection."

Central bank of organized crime

Summer 1965. A hot Saturday afternoon on which a remarkable number of people are gathered on the Place de la Synagogue, not far from the Rhône river, in front of the hundred-year-old Geneva Synagogue. Dr. Rosenbaum shakes many hands on this day with friends, relatives, business partners. Looking more closely one would recognize various prominent Israeli politicians who had responded to Rosenbaum's invitation. They are celebrating the Bar Mitzvah ceremony for his son Charles.

The guests pass through the cast-iron gate and enter the house of prayer. In one corner one sees a small table with tokens lying on it, resembling casino chips. Not that roulette would be played here. Each person can take one of the colored chips and stick them in the slits on the table, thereby letting the rabbi know how much he wants to give to the synagogue.

On this day each of the 250 guests made use of this device, since for most of them money was no object. There were also some Americans there, for this was a rendezvous of the most powerful casino-sharks of the American West Coast, controlled by the Lansky empire from Las Vegas to the Caribbean. As the ceremony for the 13-year-old Charles Rosenbaum went on, some of them recalled their own youth in the Bronx or New York's Lower East Side, and their feuds with Italo-American or Irish youth gangs. Only the muffled sounds of traffic on Georges-Favon Boulevard disturbed these reveries.

Not all the guests had found seats inside and some waited, chatting, on the Place de la Synagogue until the end of the ceremony. Many passersby, strolling past the nearby antique stores, would have been quite surprised had they known that some of the men were not of Jewish but Italian extraction. These included some of the most powerful men of the American underworld. And in the evening too, at the reception at the Jewish Cultural Center at 10 Rue St. Léger, powerbrokers could often be heard speaking with a heavy American accent. Meyer Lansky himself was not there, but most of his friends paid homage to Rosenbaum.

For they each recognized that the BCI was something of a central bank for their gambling and drug deals. And the dependable service of Rosenbaum's couriers was the reason why they paid 1 or 2 percent higher interest rates than normal. The role of the BCI for these circles becomes clear when one probes into their other business connections.

To be continued.

STOPPING THE DEPRESSION AND REBUILDING THE STEEL VALLEY

A Conference on Economic Development sponsored by
The National Democratic Policy Committee

Wednesday, Aug. 25
9:00 A.M. to 9:00 P.M.

Marriott Hotel
Monroeville, Pa.

CONFERENCE SCHEDULE

8:30 a.m. Registration

9:00 a.m. Welcoming Remarks

9:15-10:45 a.m. "High Interest Rates, Industrial Collapse and
the Coming Monetary Blowout"

SPEAKER:

David Goldman, Economics Editor, *Executive Intelligence Review*

PANEL:

Gene Mahoney, President, Central Labor Council, Fayette County

Emil Dicembre, President, Cement Masons Local #56

10:45-11:00 a.m. Break

11:00 a.m.-12:30 p.m. "The 'Post-Industrial Society' Threat to
the Steel Industry; the Causes of its Current Collapse"

SPEAKER:

Richard Freeman, Economics writer, *Executive Intelligence Review*

PANEL:

Jim Olson, Field Engineer, U.S. Tubing Specialties, Gary, Ind.

John Balian, USWA Local 1397

12:30-2:00 p.m. Lunch break

2:00-5:00 p.m. "Creating a U.S. Capital Goods Boom: Great Enterprises,
City-Building and Trade Expansion in the Developing Sector,"

SPEAKER:

Uwe Parpart, Director of Research, Fusion Energy Foundation.

PANEL:

Representatives from India, Latin America, and Africa

5:00-7:00 p.m. Dinner break

7:00-9:30 p.m. "Creating a U.S. Capital Goods Boom: Great Enterprises
and Infrastructural Improvement Projects in the U.S.A."

SPEAKER:

Paul Gallagher, Executive Director, Fusion Energy Foundation

PANEL:

Tom Shetterley, Vice President, Central Labor Council, Fayette County

John McIlvaine, Labor Arbitrator, Compensation Council, UMW District 4,

farmer; and a director of the American Beefalo Association

Organization affiliation for identification purposes only.

For more information contact the

National Democratic
Policy Committee

2215 Arch Street, Philadelphia, Pa.
or Call (215) 561-5585



Authorized and paid for by the National Democratic Policy Committee

'Dr. Strangelove' in Israel's cabinet

Plans for "200 years of chaos" in the region have been advanced by the appointment of Yuval Neeman.

A new era of nuclear blackmail and regional devolution has been initiated in the Middle East with the appointment of Yuval Neeman as Israeli Minister of Science and Development and as Deputy Chairman of the Special Ministerial Committee on Settlements.

The appointment of Neeman, the ideological chieftain of the fascist Tehiya (Hebrew for "Renaissance") Party, reinforces the geo-strategic lunatic faction within the Israeli cabinet personified by Defense Minister Ariel Sharon. Unlike the mystically motivated Prime Minister Menachem Begin, the new Sharon-Neeman duo has a comprehensive design for Israel to become a regional imperial power. Strict Malthusians, they believe that Israel can resolve its own economic problems (intensified greatly by the costly war in Lebanon) and shortages of energy and water only by expanding and by militarily confronting its neighbors.

Neeman is the point man for that Israeli grouping acting consciously to bring about the British-Venetian oligarchy's stated design for "200 years of horror" for the Middle East. He is the key to the so-called breakaway ally scenario drawn up at the U.S. Rand Corporation and at British think tanks: Israel decides to "go it alone," break with the U.S., and become a nuclear-armed fortress, rather than a developing nation-state.

This "breakaway ally" opera-

tion readily evolves into a nuclear chicken game, given Neeman's pedigree. He is the architect of Israel's nuclear-bomb capability, and has been nicknamed "Dr. Strangelove" by certain Israelis.

Following a 1950 stint as Israeli military attaché in London, Neeman was instrumental in procuring the necessary material for construction of nuclear weapons from French government circles associated with Jacques Soustelle, a "Fascist International" operative. By the early 1960s, Neeman had become a director of the Nahal Sorek Nuclear Research Center in Israel.

In this period, Neeman was cultivated as a special asset by the European oligarchic interests in London, Trieste, and Geneva who were later to create the neo-Malthusian Club of Rome. He received his advanced degree in physics at the Royal College in London under the tutelage of Pakistani scientist Abdus Salam, today a member of the Club of Rome. Salam is a director, and Neeman a member, of the Trieste, Italy-based International Center of Applied Physics which has in the past years specialized in projects for training nuclear scientists in Pakistan and Libya, as a key component of the British "Islamic Bomb" program for nuclear blackmail in the Middle East and Indian subcontinent.

Neeman's activities brought him assignments for the secretive Nuclear Club of Wall Street, a

"special operation" of leading Anglo-Canadian and Italian Freemasonic (P-2) intelligence networks. Through this route, Neeman came into regular contact with leading American scientific circles at Princeton University (home of the "Bernard Lewis Plan" for balkanizing the Middle East), Massachusetts Institute of Technology, and Caltech, at which latter Neeman collaborated in developing the so-called quark theory.

In interviews with the Israeli press, Neeman has identified the core of his ideology as "returning Israel to its religious and cultural roots." Neeman with Sharon control the lunatic-mystic Gush Emunim fanatics. In collaboration, the two men have utilized Gush Emunim front groups in the U.S., such as the coyly Orwellian-labelled "P.E.A.C.E." organization, to bring money from certain Jewish businessmen in the U.S. into new "business projects" in the West Bank to prepare that area for Israeli annexation. One of these American-based financiers is reputed to be Meshulam Riklis of the Rapid-American Corporation, whose financial empire involves gambling, pornography, and arms-trafficking operations.

Equally Orwellian is Neeman's design for establishing "scientific-technological centers" throughout the West Bank as part of a broader plan to bring 100,000 Jews into that area so that it can be annexed by 1985. In statements made to the London *Times* July 19, Neeman stated that Israel must keep its army in the West Bank for "years rather than months." He also wants Israeli control over the Zahrani and Litani rivers in Lebanon, and a "Palestinian state" in Jordan.

The ABCs of destabilization

A U.S. television documentary declares war on Mexico, portraying it as the "Iranizers" would like it to be.

The time is 1978. ABC-TV runs a feature documentary on Iran, forecasting a period of growing instability. There is corruption in the royal family. The Shah's grip on power is slipping.

Two years later, the Khomeiniac hordes had overthrown the Shah.

On Sunday evening, July 25, 1982, ABC-TV ran a similar program for national, prime-time broadcast. This one was on Mexico, which ABC presented as the likely new Iran.

The image presented was designed to stun the audience. The opening shot was of weeping peasants talking of police raids and how their homes had been burned down. Unrest in the countryside and the labor unions was emphasized; inflation is rampant; corruption is paralyzing the country; the oil boom has brought only austerity and unemployment; "the political system is under fire"; leftist and rightist upsurges are spreading, along with violent repression.

And then the final message: "Mexico is not immune to the upheavals of Central America. . . . [It] is a country of underlying strengths. But now, in these times of crisis, with its future in jeopardy, we in the United States can no longer assume" that Mexico will remain stable.

As in all lying, black propaganda, the ABC program contained elements of truth. Mexico *is* suffering from inflation; left and right

extremism are on the rise; there is still great poverty in the country. But the overall picture of Mexico was a lie, an evil attempt to provoke conflict between the United States and Mexico and to advance the plot to submerge Mexico in an Iran-style civil war in the months immediately ahead.

Dissident labor leaders were quoted freely as representative of the majority view here. Statements by Mrs. Rosario Ibarra de Piedra were featured prominently—but the program omitted to report that she was the presidential candidate of the Trotskyist, pro-terrorist PRT party. Statements of spokesmen of the leftist PST party were aired as the views of "simple peasants." And Juan Sánchez Navarro—in real life a scion of one of the most feudal-minded oligarchic families in all of Mexico—was portrayed as nothing more than your typical Mexican "businessman."

A Mexican politician who had seen the program commented wryly to me that ABC and its backers in the U.S. government were doing more to give credibility to the Mexican left than the Soviet Union was. "With friends like that, who needs enemies?" he asked me.

A highly placed government official told me: "The ABC program was a declaration of war. We are taking it very seriously. Now the fight is open and public."

He elaborated that perhaps the most dangerous feature of the program was that Reagan's ambassa-

dor to Mexico, John Gavin, seemed to endorse the "Iran" image of Mexico by stating on the show that the United States is concerned about the spread of violence from the Central American nations to the South over the borders into Mexico.

The U.S. cause was hardly served by the fact that the only person in the entire Mexican press corps to defend Ambassador Gavin's remarks was the strange Enrique Farlie Fuentes, a scribbler for the daily *El Heraldo*, who reportedly was born in Bolivia and maintains close contact with dictators Pinochet of Chile and Stroessner of Paraguay. This coincidence of views is under investigation.

What I have been told in private about the ABC show is also being stated publicly by Mexican political leaders and government-linked journalists. CTM labor confederation leader Fidel Velásquez, for instance, stated categorically that the image that the U.S. media is presenting of Mexico is false. "The working class is not so restless as to be on the verge of an uprising. . . . The situation is difficult, but this does not mean that the working class wants to aggravate the problem."

Novedades columnist Joaquín López Doriga, known to closely reflect the thinking of President López Portillo, wrote: "This is the most distorted document on Mexico that has ever been prepared and transmitted abroad, whose conclusion is that we are one step away from a civil war."

López Doriga emphasized: "What the ABC network presented, I repeat, is not Mexico. . . . Possibly it is what they would like it to be."

International Intelligence

Hesse Governor for nuclear reprocessing

Governor Holger Börner in West Germany's state of Hesse announced late in July that if re-elected this fall he will move to build a nuclear fuel reprocessing facility in the town of Frankenberg.

Although Börner has in the past been one of the strongest supporters of nuclear energy and infrastructural development among German politicians, he has been silent until now on these issues, during the entire course of the election campaign. This reflects the pressures emanating from SPD Chairman Willy Brandt for the party to accommodate itself to the anti-industrial agitation of the protofascist Green Party in West Germany.

Börner's announcement was greeted by a storm of protest from the green forces, including plans for a mass demonstration in Frankenberg the weekend of Aug. 1. Terrorist threats against Börner have appeared on walls throughout the state of Hesse.

Börner broke his silence after an intense campaign by the European Labor Party of Helga Zepp-LaRouche, which is urging that pro-nuclear forces worldwide show their support for Börner's move. Nuclear power generation in West Germany has stagnated at present piddling levels since the greenies were able to block the construction of a planned reprocessing facility at Gorleben in Lower Saxony several years ago.

Israeli brigade commander in Lebanon resigns

The Israeli government of Menachem Begin received a blow on July 27, when Brigade Commander of the Israeli Army, Eli Geva, submitted a request to be relieved of his duty in south Lebanon in protest of Israel's creeping advance against West Beirut. Geva is the son of a renowned Israeli war hero, Yosef Geva,

who was the commander of the Central Command of the Israeli Forces.

Geva, who could not be dissuaded by high military officials from his request to be relieved, said that he had supported the military drive to push the PLO out of southern Lebanon, but that he opposed an attack on Beirut. He said an Israeli invasion of the city would fail to destroy the PLO and would only result in heavy civilian casualties and Israeli losses.

Geva's resignation is adding to fears in Israel that, as predicted by American statesman Lyndon LaRouche, the Lebanon war would become for Israel a "Vietnam," a tragic error that destroys the moral fabric of the nation. On July 26, Benjamin Cohen, the head of the Committee Against the War in Lebanon, denounced Israeli Defense Minister Ariel Sharon's imminent invasion of West Beirut. Cohen read statements by political leaders from around the world in opposition to the Israeli blitz into Lebanon, including the document in which LaRouche calls the war "Israel's Vietnam."

Is Costa Rica moving its capital to Aspen?

Costa Rican President Luis Monge announced on July 23 that the so-called Aspen Institute for Humanistic Studies will serve as a national security council for his Social Democratic-ruled country. Aspen is to become the headquarters for a top-level commission comprised of Costa Rican ministers and labor and opposition figures, as well as American academics and businessmen.

According to a Spanish wire service (EFE) report from the former capital of Costa Rica, San Jose, the experts would formulate policy on "politics, industrial and agricultural development, and energy." It will also monitor and analyze the government budget and labor relations.

Costa Rica is properly known as "the Switzerland of Central America." It was used by the Central European oligarchy as a gold stash after World War II and

then as a continental center for political operations run through the labor movement. President Monge recently gave control of the economy to the International Monetary Fund.

The Aspen Institute report on "Governance in the Western Hemisphere, issued through the Organization of American States (OAS) in June, is premised upon the dissolution of the sovereignty of nation-states into "multilateral cooperation" schemes. President Monge said that the Aspen commission would lobby in Washington for "economic aid to stabilize the economy."

Argentina revives Monroe Doctrine issue

Speaking through its Foreign Minister, Juan Ramon Aguirre Lanari, the Bignone government of Argentina sent a strongly-worded message to the Reagan administration July 23.

From Punta del Este, Uruguay, where he met with that country's foreign minister to discuss Argentina's diplomatic strategy on the Malvinas, Lanari stated that "North American public opinion must be informed, so that it can choose supporting colonialism . . . or complying with the Monroe Doctrine and the Inter-American Reciprocal Assistance Treaty" (Rio Treaty). The United States, he continued, "is aware of the grave damage caused by its attitude in this region of the world. . . . it must declare itself, without hesitation, in favor of Argentina's sovereignty over the Malvinas. . . . The United States has a responsibility that cannot be avoided in considering the colonial problem of the Malvinas, and its attitude should be clear and efficient in order to resolve this problem."

Lanari's remarks, particularly the reference to the Monroe Doctrine, are the strongest foreign policy statements to come out of the Bignone government since it took power on July 1st. They come at a time when Argentina is en-

gaged in a number of diplomatic initiatives to make the Malvinas issue a major topic of debate at the United Nations and the Organization of American States this fall. Argentine diplomatic missions have visited several Ibero-American governments and Venezuelan President Herrera Campins is expected to visit Argentina shortly to discuss economic and military solidarity.

Japanese expect anti-Soviet provocation

A Japanese government official told *EIR* in Europe that "a provocation is being planned" to create an anti-Soviet climate in Japan. Its immediate purpose would be to sidetrack Japan's protest over Washington's sanctions against Japanese-Soviet cooperation on the oil and natural gas project in Sakhalin, Soviet East Asia. Japan and West Germany have tried to convince the United States to withdraw its sanctions against industrial and economic cooperation, and on July 28 Tokyo and Moscow reached agreement to continue the project without using American-made or American-licensed equipment.

The official said the provocation would occur in connection with the "Northern Islands," four small islands off Japan's northern coast which were occupied by the Soviet Union after World War II, where the Soviets now station troops and naval facilities. A faction in Tokyo opposed to Japanese cooperation with the Soviet Union will try to provoke the Soviets into making some outrageous action in regard to the islands that would enflame Japanese public opinion, the official warned.

He added that this is the same faction which supports the "sunrise vs. sunset" industry line of phasing out basic industry and using high technology, not to revolutionize basic industry, but as a substitute for basic industry. The detailed description of this faction incriminates, among others, Yoshihiro Inayama, the

current head of the Keidanren Business Federation and a notorious low-growth advocate. Inayama made a statement in July arguing against any Japanese resistance to the anti-Soviet sanctions.

South Africa promotes descent into chaos

If the Organization of African Unity meeting scheduled for the start of August manages to take place, it will do so under a cloud resulting from that continent's increasingly rapid descent into social disintegration. The Union of South Africa has cast itself as the overseer of the continent's New Dark Age.

South Africa's most recent move has been to hand over to the state of Swaziland an undeveloped piece of South Africa containing over 3,000 square miles and 850,000 people. The territory is supposed to be part of a "Zulu homeland," part of South Africa's strategy of concentrating blacks in separate such "bantustans" where they can eke out a living from subsistence agriculture, or die.

Choosing this *apartheid* over a policy of republican development, the South Africans have also been seeking to cripple the economies of its neighbors Angola and Mozambique. South Africa recently broke its agreement on Mozambican labor in the country and sent 17,000 Mozambican workers home. Under the now-cancelled agreement, South Africa remitted a portion of the workers' wages directly to Mozambique in gold, bolstering the impoverished country's reserves.

In addition to its ongoing military operations against Angola, South Africa is now supporting the Mozambique Resistance Movement, a terrorist group which has been blowing up railways, bridges, and roads.

EIR is also closely following the situation in the horn of Africa, where the supposedly pro-U.S. regime of Siad Barre in Somalia is in the middle of a large-scale war with supposedly pro-Soviet Ethiopia. The BBC is putting out the line that this is a trap for President Reagan.

Briefly

● **CHINA'S NEW CAMPAIGN** against rampant official corruption and political dissent reached a new level late in July. Yang Yibang, a Vice-Minister of the Chemical Industry was fired for obtaining travel documents via unofficial channels and costing the state hundreds of thousands of dollars through gross mismanagement.

● **OTTO SCHLECHT**, undersecretary of the Bonn economics ministry, told West Germany's *Bildzeitung* daily that although his government cannot formally tell German firms to neglect the U.S. embargo relating to its sanctions on the East-West gas pipeline, "the government welcomes all the decisions made by the companies which contribute to the fulfilling of the gas pipeline contract."

● **STEELWORKERS** in Northern France, under the influence of the Socialist-led CFDT trade union, have become probably the first industrial workers in Europe to join "green" environmentalist terrorists in violent demonstrations against a nuclear power plant. Both the French state electricity company (EDF), and the SSAC subsidiary of the large Usinor steel firm have been targets of the protest against the Chooz nuclear plant. The Communists meanwhile are supporting the nuclear project.

● **TIBET**, according to reports received in New Delhi, has become the site of intensifying Chinese military activity, including a build-up of nuclear weapons aimed at India and Southeast Asia. China currently has over 100 nuclear missiles with ranges of up to 2,485 kilometers in Tibet, with more headed for bases at An-to and Kormu—as well as about a half a million troops. Although China will agree to no international safeguards, the U.S. has gone ahead with talks on substantial U.S. assistance for Chinese nuclear power development.

The Sonnenfeldt ploy and the November coup plan

by Richard Cohen, Washington Bureau Chief

The long-time right-hand man of former Secretary of State Henry A. Kissinger, Helmut Sonnenfeldt, has been accepted by new Secretary of State George Shultz in a "sensitive and important" informal advisory role at the State Department, according to intelligence sources. Sonnenfeldt's new role was reportedly the central topic on the agenda when Kissinger met Shultz privately on July 17 for seven and a half hours at the State Department. My sources at the White House confirmed that the Kissinger-Shultz meeting indeed involved discussion of Kissinger-suggested personnel changes at the State Department. And in a private talk, Sonnenfeldt himself said that he was asked by Shultz to come to State.

According to the same sources, the Sonnenfeldt appointment is to be instrumental in a dramatic reorganization of foreign policy objectives for the Reagan administration. Discussed at the Kissinger-Shultz meeting was the importance of Sonnenfeldt's long-time relations with key elements of Israeli intelligence. Reportedly, those ties go back to the late 1950s, when Sonnenfeldt was Director of Intelligence and Research (INR) at State. In that highly sensitive role, Sonnenfeldt was accused of transferring important classified material to Israeli intelligence and, at the same time, to Henry Kissinger, then a professor at Harvard University.

Beyond Sonnenfeldt's Israeli connections, Kissinger argued that Sonnenfeldt's relationship of trust with the current head of the Socialist International, Willy Brandt, and Brandt's key adviser, Egon Bahr, could be decisive in blackmailing West German Chancellor Helmut Schmidt, whose tenuous domestic political position per-

sists. Finally, Kissinger is reported to have convinced Shultz that Sonnenfeldt has crucial assets within Warsaw Pact nations.

The new Trilateral policy

The Sonnenfeldt appointment was only one signal to have recently surfaced in Washington concerning a plot to make the Reagan administration undergo what one close observer of the White House characterized as "a 180-degree shift in policy." All indications are that the "180-degree" policy shift the sponsors of Sonnenfeldt hope to accomplish is to take U.S. foreign and domestic policy wholly out of Reagan's hands, and to substitute for it a Trilateral Commission-dictated program including the following:

- 1) An across-the-board revival of the Carter administration's China Card policy, most recently championed by ousted Secretary of State Alexander Haig;

- 2) The imposition of a corporatist, one-world solution to the current global economic crisis via the application of more stringent International Monetary Fund austerity conditionalities for the U.S. economy, the rest of the advanced sector, and the Third World alike. In the United States, the next round of planned Reagan administration tax cuts is to be sacrificed for this new austerity policy; and,

- 3) The implementation of the so-called Sonnenfeldt doctrine in U.S. foreign policy. This doctrine specifies the pressuring of both U.S. allies and the Soviet Union to accept the IMF global austerity plans, under the assumption that the Soviet leadership will allow IMF

prescriptions to be carried out against the Third World without interfering.

Over the course of the week of July 26, this journal has collected and corroborated pieces of intelligence information not available to the public identifying the fact that Kissinger, working through White House Chief of Staff James Baker III and other assets of Vice-President George Bush within the White House, and in increasingly close collaboration with Shultz, is the central figure and architect of a plan to take over the White House.

EIR has repeatedly warned from the inception of the Reagan administration that Henry Kissinger and associated elements of the Trilateral Commission, including former Treasury Secretary Alan Greenspan and Detroit-based financier Max Fisher, have moved, since their ill-fated attempt during the 1980 Republican National Convention, to seize operational control over both domestic and national security arms of the Reagan administration. Now they are doing so.

Essential to the Kissinger operation will be a broad disgrace for Republican candidates in the November elections. According to sources close to the Kennedy family, their operatives expect serious losses for Republican candidates in the House of Representatives and a possible devastating loss of the Republican majority in the U.S. Senate. Victor Kamber, a key electoral adviser to the AFL-CIO and reportedly close to Democratic Party presidential hopeful Walter Mondale and the Democratic National Committee (DNC) chairman, banker Charles Manatt, says that serious losses are expected for the Republicans in the House, a shocking loss of Republican governorships, and a decisive shift in the makeup of the 1983 U.S. Senate. Kamber contends, along with many other Republican and Democratic insiders, that even if the Republicans should retain the Senate, there will be many more Trilateral-oriented Republican Senators than there are now. These estimates were echoed in private conversation by a top Republican political consultant formerly associated with the Bush campaign and with close ties to the Buckley wing of the party.

Alongside the practical implications of these gubernatorial and senatorial shifts, all these political insiders agree that the 1982 elections will be read as a bitter defeat for Reaganism. White House pollsters agree with these political insiders that the continuing high interest rates, growing unemployment, and "economic hopelessness" are the critical factors in the erosion of Republican support.

How and what Reagan was sold

Jim Baker, White House Communications Director David Gergen, and presidential intimate Deputy Chief of Staff Michael Deaver, under the guidance of Kissin-

ger and his associates, and with the abundant use of White House pollster Richard Wirthlin's polls, have sold the President on a disastrous 1982 electoral game-plan. According to my sources, Baker and his allies have convinced Mr. Reagan that his own high personal standing with the American public can compensate for economic and foreign-policy "negatives." They have told the President that the most important and respected "image" aspect is the fact that the President "means what he says" and has not backed down on previous promises. Thus, the word has gone out to the entire administration that between now and the November elections the President will not change his position on certain key policies. Already Baker and Gergen have stated publicly that Mr. Reagan will not, between now and November, alter his basic economic policy; and on Friday, July 23, immediately following the surprise presidential announcement of the resignation of Council of Economic Advisers Chairman Murray Wiedenbaum, Treasury Secretary Donald Regan emphasized, "If you are looking for a hint whether we are going to make a change before November, I think it is exceedingly doubtful." And in President Reagan's July 28 press conference, the President stated bluntly that "there will be no sudden changes or 'quick fixes'" on economic policy.

In addition, White House sources have told me that Baker and Wirthlin have insisted that the American Jewish community perceives the President as having gone far enough in pressuring Israel over the Lebanon crisis, and that any further pressure could well lead to a large Jewish vote for Democratic candidates in the fall. And Baker has endorsed a policy of maintaining a hard line on pipeline sanctions until November in order to "secure the President's image."

Older and wiser political insiders in the Republican Party have complained to me that this tactic is sure to result in electoral disasters. They had bitter words for both Republican National Chairman Richard Richards and Ed Rollins, a White House adviser and Lynn Nofziger protégé, for accepting the Baker-promoted program.

By November the President will be faced with more than a massive political defeat. The effect of these policies of "no change" will lead to increasing economic setbacks, growing tension between the United States and Western Europe, and a Middle East catastrophe. Thus, According to Kissinger's secret agenda, November will mark the popular defeat of "Reaganism" and a political crisis demanding the radical shift in domestic and foreign policy he and his associates have already launched.

Kissinger and his friends are telling the White House that they can deal with Schmidt prior to the elections and thus soften European anti-White House rhetoric. In

addition they are telling the White House that their Israeli assets put them in the best position to deal with the Begin government. Finally, Fed Chairman Paul A. Volcker has informed the White House that he will promote the erroneous forecast of year-end recovery in the economy and marginally lower interest rates, all for electoral purposes in exchange for White House concessions on post-November economic policy.

What Kissinger has already accomplished

Kissinger's manipulation of these administration vulnerabilities has already yielded results and promises.

On Thursday July 22, the U.S. Senate, under year-long pressure from Volcker and major New York commercial banks and investment houses, passed a three-year tax increase of \$99 billion, the largest tax increase in history, completely undercutting Reagan's "supply-side" tax cut. This package was pushed through the Senate by the White House. But according to sources close to the White House, Volcker's price for verbal support of the administration policies, made public on national television July 25, will be the elimination of the third installment of Reagan's individual tax cut after the November elections.

On July 23, pandemonium broke out at a meeting of the Committee for a Free China in Washington, D.C. when the Committee's leadership exposed a personal letter recently sent to the leadership of the People's Republic of China by President Reagan in which the P.R.C. is assured that U.S. arms shipments to Taiwan will not continue indefinitely. Committee members told me that they are convinced that a July 23-24 series of private meetings between Kissinger, Shultz, West German Chancellor Helmut Schmidt, and Singapore Prime Minister Lee Kuan Yee at the Bohemian Grove hide-away in California represents the final touches being put on a post-November reinvigoration of the "China Card."

At those meetings it is also believed that Kissinger offered Schmidt help in securing his domestic political position in exchange for West German acquiescence to Kissinger's Trilateral economic plans. While Schmidt's response is not yet clear, White House sources told me that Schmidt's domestic vulnerabilities were uppermost in his mind while in the United States.

These Kissinger initiatives are only the beginning. Next week we will disclose Kissinger's "secret policy agenda" for the post-election period. The following week, we will reveal how Kissinger and his friends sold Reagan a November electoral disaster in 1982, which will include an analysis of the upcoming elections. Finally, we will examine the truth behind the "conservative" counterattack to the Trilateral coup, who is manipulating it, and why it is leading to a civil war in the Republican Party.

Science & Technology

The promise of U.S. x-ray laser defense

by Charles B. Stevens
and Steven Bardwell, Military Editor

Recent, still-classified experiments at U.S. weapons laboratories have convinced many scientists that a new technology—the so-called x-ray laser—could be perfected within the next five years for use as a first- or second-generation defense system against ballistic missiles.

The x-ray laser is complementary to the optical frequency (chemical) lasers and particle-beam weapon technologies currently under investigation in the United States and Soviet Union for ballistic-missile defense; its specific advantages include extreme flexibility in technological development, a very high power-to-weight ratio, relatively low cost, and a high rate of repeatability.

These scientists have privately called for an accelerated research program in x-ray laser defense systems, at an estimated cost of \$100 million per year. Such a program could prove the feasibility of an x-ray laser defense system in two to three years, and lead to a deployable ballistic-missile defense satellite using x-ray lasers within five to eight years.

Over the past year Dr. Edward Teller has been quoted by leading defense officials as stating that a new discovery achieved by the Lawrence Livermore Laboratory "is the most significant development in strategic war-fighting since the H-bomb." According to Teller, the x-ray laser "will tip the battle in favor of the defense for the first time in the history of the nuclear age." Teller has stated publicly that "the United States could have an effective shield against the terrible threat of thermonuclear holocaust within the next several years if we but invest another \$100 million a year in an accelerated program for perfecting this defensive system."

Teller has emphasized that if the government classifications he has vehemently opposed were lifted, he is certain that the American people, presented with the facts about the x-ray laser defense system, would demand that it be built.

Nuclear war-fighting

For the past three decades the world has increasingly faced the prospect that, in the event of all-out war, most of its major metropolitan areas would be incinerated by

hydrogen bombs within a few hours. And it has been argued in great detail that no foolproof efficient means of defense of large cities against nuclear-tipped ballistic missiles could be perfected. In every case the anti-ballistic missile system (ABM) under consideration was incapable of meeting two conditions: resiliency in the face of offensive countermeasures, and unit cost-effectiveness. For each of these systems, unit improvements in the ballistic missile offense were much cheaper than unit improvements in the ABM defense. The x-ray laser provides qualitatively new approaches to the solution of these basic requirements for a ballistic-missile defense system.

The development of a laser operating in the x-ray wavelength has been the subject of much theoretical and experimental research for the past two decades. In the fall of 1980 this author was informed that experiments to demonstrate such a laser were about to begin. In the Feb. 23, 1981 issue of *Aviation Week and Space Technology*, Clarence A. Robinson, Jr. reported that scientists from Lawrence Livermore Laboratory had successfully conducted such tests at the Nevada test site.

The components of the Livermore x-ray laser consist of thin metal rods a few meters in length, in which x-ray lasing action is induced by a burst of x-rays or neutrons generated by a small nuclear-fission explosive. The resulting x-ray laser beam travels in the same direction as that in which the metal rod is pointed. As reported by Robinson, the x-ray wavelength is at .0014 microns. The beam intensity is several hundred trillion watts, with a length of a few billionths of a second. With an energy of about one million joules per rod, this is equivalent to 250 grams of TNT in terms of crude energy. The fission explosive itself is quite small, ranging from 100 to 1,000 tons of TNT equivalent. Each fission explosive is capable of simultaneously pumping approximately 50 lasing rods each capable of independent targeting.

In nuclear explosions most of the energy generated emerges from the nuclear fireball in the form of intense x-rays. During explosions within the atmosphere, this x-ray burst is quickly absorbed by the molecules within a hundred meters of air surrounding the fireball.

The x-ray laser, thus, requires no fragile optics—mirrors, lenses, beam polarizers, etc. Lasing efficiency and beam quality are determined by the composition of the rod, the mixture of radiation from the nuclear charge, and the latter's timing. Theoretical beam divergence can be extremely small, so that the x-ray laser beam can remain concentrated over extremely great distances in space. It is possible in principle for the perfected Livermore x-ray laser to destroy hardened targets as far away as the moon.

Taken together the above parameters of improvement mean that the x-ray laser can begin at a very crude level—possessing a kill range of 500 kilometers and effectiveness only against the thin skin of rocket boosters

which can be targeted within the first few minutes of the missiles launching—and then be rapidly improved to the point that it can destroy the most hardened warheads from ranges up to 100,000 kilometers. At the same time the number of assured kills per x-ray laser module can be increased from two or three to hundreds.

The cost per unit missile kill of the x-ray laser ABM in space is the smallest of any proposed beam weapon system. And since any offensive missile or anti-satellite rocket interceptor directed against an x-ray laser unit will always cost orders of magnitude more than the x-ray laser unit itself, the strategic defense in nuclear war-fighting is at a great advantage.

The theoretical physical basis for the inherent advantages of the nuclear-explosive-pumped x-ray laser all derive from its great energy densities.

The energy released per atom by ordinary chemical processes is of the order of a few electron volts (one eV = 1.6×10^{-19} joules), while nuclear fission generates over 200 million eV per atom. Therefore nuclear fission can provide a pulsed energy source millions of times more efficient, pound for pound, than any type of chemical fuel. The specific form of energy released by fission is in itself millions of times energy-denser than those forms generated by chemical or ordinary electric processes.

The nuclear-pumped x-ray laser maintains all the energy per weight advantages noted above—by a factor of at least several billion—while simultaneously requiring a minimal unit weight of about 10 to 20 kilograms. This is hundreds of times smaller than any chemical, solar, or nuclear reactor power system.

In terms of deployment, defensibility, replacement rate, and cost, these factors of kills per unit weight deployed and unit scale are crucial for determining the cost and battle-effectiveness of any space-based system. It is a simple fact, even given the success of the Shuttle, that a substantial portion of the cost of any space-based system is determined by the weight which must be placed in orbit.

Killing nuclear-tipped missiles requires not only effective weaponry but also the capability to identify the targets, aim at them, and determine whether an effective hit has been achieved.

Today there are a number of early-warning systems for detection of all types of missile launchings. These consist of: optical telescopes; ground- and space-based radars—both over-the-horizon and direct line of sight; infrared detectors which pick up the hot rocket exhausts; laser radar; long-wavelength infrared telescopes which are far more sensitive to heat than the type of infrared detectors utilized in the first early-warning satellites (these telescopes can pick up small, cold objects over thousands of kilometers in space and the upper atmosphere and even discriminate between heavy warheads and light decoy balloons which have the same external

characteristics as the heavy warheads); and finally, various x-ray and gamma-ray detectors currently deployed in satellites to detect nuclear explosions.

Because of its lethality and operating characteristics, the x-ray laser requires minimal levels of target acquisition and tracking. Once fired, the x-ray beam travels at the speed of light to the target. During the 10 milliseconds it takes the beam to arrive at the targeted missiles over a range of 500 kilometers, the missile has moved at most a few meters. This is particularly true during the booster stage of the launch, when the missile is still accelerating to its maximum velocity. If the million-joule x-ray beam pulse hits the large booster stages of the missile, it will produce a large shock and destroy the interior of the rocket fuel and engine. Since the beam pulse is but a few billionths of a second long, the missile moves only a few millimeters during the time that it is absorbing the x-ray pulse.

First-generation components and operation

In terms of minimizing the technical requirements needed in terms of target acquisition, pointing and tracking, and in terms of the perfection of the x-ray laser operation itself, the best mode of deployment for the first generation of a space-based x-ray laser ABM system would consist of hundreds of individual x-ray lasing units placed in orbit together with a separate system of targeting and surveillance satellites. The system would be directed toward detection of nuclear-tipped missiles and their destruction in the booster stage of their launching. Each x-ray laser unit would shoot at 10 to 100 individual missiles within the first few minutes after their launching. The minimum effective kill range for such a system of orbiting x-ray lasers would be about 500 kilometers from the x-ray laser to the targeted missile.

Ten to 20 shuttle flights could deploy upwards of 500 x-ray laser units into orbits such that at all times all possible launch points on earth are covered with a sufficient number of x-ray lasers to kill thousands of missiles taking off from one specific area.

The targeting requirements for such a global ABM system are probably within the scope of existing technologies. Basically the system would have to be capable of detecting thousands of targets and providing targeting coordinates to an accuracy of a microradian at most within a period of two to three minutes. The system would also have to determine which targets have survived and will have to be fired at again. Other types of ABM intercept systems, such as mid-range and terminal intercept with conventional rockets, other types of directed beam weapon systems, and even the old-style nuclear-tipped ABM rockets, could function as backup defense layers to kill those missiles and warheads that "leak" through the first line of defense.

While some targeting and sensor equipment would

be emplaced on each laser unit, the actual surveillance and targeting system would consist of a net of satellites much like that envisioned by Gen. Daniel Graham in his High Frontier proposal for a global ballistic missile defense system, a proposal based on conventional rocket intercept of boosters and state-of-the-art technology. The cost for this system and its deployment, comprising both command, control, and communications and sensor and targeting, would be about \$3 billion. The cost for 500 x-ray units and their deployment would be in the range of \$3 to \$5 billion.

Rate of development and bottlenecks

The current status of the x-ray laser, as noted, is that it has been scientifically demonstrated in principle. U.S. experiments with underground nuclear tests are slowly proceeding at a rate of one test shot every three to six months. The current estimate is that 20 to 30 carefully planned test shots will be needed to perfect a workable x-ray laser. The basic philosophy of this current program is that a high probability of success must first be assured before an expensive nuclear underground explosion is carried out. Furthermore, the complex data from these test shots must first be unscrambled and analyzed before another test is carried out. Therefore, this low-risk R&D program will probably arrive at a perfected x-ray laser within the next 5 to 10 years.

In the meantime, information is circulating in intelligence circles that the Soviet Union has mounted a serious x-ray laser development program.

Dr. Edward Teller and Dr. Lowell Wood have insisted that given a high-risk effort, in which tests are carried out in parallel and without more than a 10 percent confidence level for success, a perfected x-ray laser can be realized within several years after up to about 100 test shots.

All counter-arguments to which this author has been exposed concerning an x-ray laser crash development program have simply boiled down to the contention that "public opinion would not favor such an effort at this time. It's nuclear. It blows itself up. The targeting and tracking problems are horrendous. It means nuclear bombs in orbit."

The nuclear-pumped x-ray laser is not a weapon of mass destruction and therefore would not come under the existing space treaties. If the Soviets also deployed such a system, this would increase world stability since neither side could be confident of a successful offensive sneak attack. Furthermore, these systems could provide the basis for an effective defense against other nations utilizing nuclear-tipped rockets in military confrontations. While the x-ray laser would not completely eliminate the danger of nuclear weapons proliferation, it would go a long way toward neutralizing its most hazardous form, the nuclear-tipped ballistic missile.

Indira Gandhi in Washington, D.C.: a new opening

by Paul Zykofsky, New Delhi Bureau

India's Prime Minister Indira Gandhi arrived in Washington on July 28 on an eight-day visit with one important purpose in mind: to hold face-to-face talks with President Ronald Reagan and thereby open a line of communication with the United States to improve badly damaged bilateral relations. The visit is Mrs. Gandhi's first trip to Washington in a decade and will be followed by a trip to the Soviet Union in September. The two visits jointly represent significant foreign policy initiatives undertaken by India at a time when regional and international tensions are running high.

Agreement on nuclear fuel

The cordial climate at the talks was reflected in announcements from spokesmen for both governments that one result of the Gandhi-Reagan meeting was an "agreement in principle" on the supply of enriched uranium fuel to the U.S.-built Tarapur power reactor in India. The fuel supply has been blocked for four years, by the Carter administration's anti-nuclear crusade. Now it is agreed that the United States will permit a third country—France—to supply enriched uranium, and that India will abide by the 1963 Indo-U.S. contract regarding reprocessing spent fuel. Both sides have agreed to keep talking to resolve differences.

There is no question that the Tarapur "agreement in principle" cleared the air, allowing Mrs. Gandhi and Ronald Reagan to have a broad-ranging exchange of views on international affairs, regional affairs, and economic developments. These discussions are particularly important because Mrs. Gandhi is viewed as an experienced leader of the developing nations and has friendly ties with both Western nations and the socialist countries. Gandhi-Reagan talks have a bearing on both North-South and East-West relations.

The tone for the Washington meetings was perhaps best set by Mrs. Gandhi herself in her remarks upon arrival at the White House. She neutralized the Anglo-American propaganda barrage characterizing her as "pro-Soviet," by expressing hope for friendship and cooperation with the United States. "One friendship does not come in the way of another," said Mrs. Gandhi. Communicating admiration for the United

States historically, she urged on the nation a sense of responsibility in world affairs: "It is difficult to imagine two nations more different than ours. As history goes, your country is a young one. Over the years it has held unparalleled attractions for the adventurous and daring, for the talented as well as the persecuted. It stood for opportunity and freedom. The endeavors of early pioneers, the struggle for human values, the coming together of different races, have enabled it to retain its elan and dynamism of youth. With dynamism and high ideals, it has grown into a great power. Today its role in world affairs is unmatched. Every word and action of your President is watched and weighed and has global repercussions," said the Indian Prime Minister.

The meeting at the White House

Mrs. Gandhi met with President Reagan privately for a half-hour and with aides for another hour. In the meeting, the two leaders discussed U.S.-Soviet relations, the Lebanon crisis and the Iran-Iraq war, U.S.-China relations, and U.S. policy toward South Asia, particularly the arming of Pakistan with sophisticated F-16 aircraft. The U.S. has argued that Pakistan has been provided arms to fight the Soviet presence in neighboring Afghanistan, but Mrs. Gandhi is said to have made clear in her talk with the President that India does not see the unstable Pakistani military junta fighting a war against the Soviet Union. The arms are aimed at India, she warned, indicating to Mr. Reagan that peace and withdrawal of foreign troops from Afghanistan will only come when the region is freed of foreign subversion, including U.S. and Chinese support for Islamic fundamentalist rebels based in Pakistan.

Nation-building and economics were the other themes that permeated the Gandhi-Reagan meetings. Mrs. Gandhi was faced with the necessity of countering a carefully calculated media barrage describing her variously as "socialist" and "authoritarian" in an effort to poison President Reagan's understanding of India as a country with real developmental aims and problems.

The Indian Prime Minister is her own best spokesman. In the private meeting, she reportedly developed for Reagan the idea of democracy as a deep-rooted system in India with "strains and pressures on it." She stressed that the people require policies that tangibly benefit them, so they have a stake in the system. In public, she expressed it succinctly: "In India our preoccupation is with building and development. Our problem is not to influence others but to consolidate our political and economic independence. We believe in freedom with a passion that only those who have been denied it can understand. We believe in the worth of the human being, for that is the foundation of our democracy and our work for development. That is the framework of our national programs."

Puccio rides roughshod over Senate Abscam committee

In a total abrogation of their mandate to investigate Justice Department and FBI wrongdoing in Abscam, the Senate select committee investigating Abscam meekly accepted former prosecutor Thomas Puccio's arrogant assertion to the committee July 27 that he did no wrong.

The most striking capitulation came from Sen. Patrick Leahy (D-Vt.), the liberal Senator who stood on the Senate floor during the debate on the expulsion of Abscam victim Harrison Williams of New Jersey, and announced: "On the basis of Puccio's behavior, he should not be in the employ of the government. Indeed, I question whether he should be allowed to practice law at all. And if I'm ever in the same room with him, I'll tell him that to his face."

During the hearings, while in the same room as Puccio, Leahy deferentially questioned him about the conflict-of-interest charges involving Puccio's negotiations for a book contract on Abscam while the prosecutions were still in progress. Leahy accepted Puccio's response that he had not discussed the book contract until three or four months ago, when he sought out literary agent Sterling Lord after Puccio had left his post as U.S. Attorney.

The witnesses appearing during the week's hearings have been interrogated almost exclusively by committee counsel James Neal, whose associations with Kennedy and Justice Department operative

Walter Sheridan date back to the prosecutions of late Teamster leader Jimmy Hoffa.

"Atari" Democrats target education

The "post-industrial society" proponents in the Democratic party, such as Gary Hart (D-Colo.) and Paul Tsongas (D-Mass.), have launched an effort to bring American education and educators into their brave new world. Tsongas introduced the National Teacher Retraining Demonstration Act (S.2743) of 1982 on July 13, while Hart put his American Defense Education Act (S.2663) into the hopper in late June. Both bills emphasize "computer literacy"—the code-name for destroying children's (and teachers) cognitive ability through computer-run brainwashing. The vision of children learning from modified "Pac man" set-ups has contributed to the coining of the term "Atari Democrats," which has stuck to Hart, Tsongas, and their co-thinkers.

Tsongas's bill would establish four national demonstration centers, where teachers will be trained in "new technologies." According to the legislation the centers would "provide a curriculum involving computer literacy, educational psychology of learning, recent developments in teaching techniques and materials, and career counseling, together with an emphasis on participation by members of the appropriate business community."

Hart's bill, ostensibly modelled on the National Defense Education Act which was born of the late-1950s panic over the Soviet sputnik, would contribute federal funds to local school districts who "revitalize their curricula in tomorrow's crucial areas of mathematics, the sciences, foreign languages, communications, and other new technologies." While the emphasis on math, science, and foreign languages may appear necessary and legitimate, Hart's purpose in "revitalizing" curriculum was made clear with his participation in the recent World Future Society conference on "Communications and the Future." Hart himself spoke on a panel with various lunatic anti-industry speakers, while his chief economist, Robert Hamrin (who is also a member of the Club of Rome) spoke on a panel devoted to the following: "The information revolution is spawning a structured transformation from a highly centralized economy based primarily on basic manufacturing and heavy industry to a decentralized one based on information, knowledge, and communications."

Senate caves in to water 'cost-recovery'

The Senate passed its reform of the 1902 water reclamation law, S.1867, on July 15, raising the acreage limitations on the amount of land that can receive water from Federal reclamation and water management programs. Despite the fact that the Senate succeeded in beating back various amend-

ments which would price water completely out of reach of U.S. farmers, the Senate and the House, in its version passed May 6, have both capitulated to the fundamentally anti-growth notion of "full cost-recovery" to be paid by water users. The Senate action means that its version will now go to conference with the House version. Reform of the 1902 law this year is essential, as the Interior Department will be required to implement a court order enforcing a 160-acre limit for less expensive water, a limitation that would wreak havoc with irrigated modern agriculture.

The most outrageous amendment was introduced by Richard Lugar (R-Ind.) and William Proxmire (D-Wisc.), which would have mandated partial-to-full cost recovery. Farms larger than 960 acres would have had to repay the cost in full. The amendment was tabled 58 to 39, after being denounced for creating a "new class of agricultural serfs," as only the large oil and agri-business firms could be expected to pay such costs. The bill as passed allows cheaper water for 1,280 acres per individual farmer, however, would destroy the growth and development of the tax revenue base before it could get off the ground.

The capitulation to full cost-recovery sets a dangerous economic precedent. It is based on the fallacy that such charges will help increase federal revenues. The Bureau of Reclamation has spent \$8.96 billion between 1902 and 1979 on such projects, and, according to the Denver Research Institute, these infrastructure projects

generated \$28.3 billion in new tax revenues. Attempts to collect the federal costs at the point of the individual farmer however, would destroy the growth and development of the tax revenue base before it could get off the ground.

Donovan wants more Teamster pension controls

Secretary of Labor Ray Donovan went to Capital Hill July 26 flanked by a squad of supporting government witnesses including Roscoe Egger, Commissioner of the Internal Revenue Service; David Glickman, Deputy Assistant Secretary of the Treasury for Tax Policy; and Edward Densmore, Deputy Director of the Human Resources Division of the General Accounting Office, to request that Congress pass legislation before October 1982, mandating that independent asset managers be retained in charge of the International Brotherhood of Teamsters' Central States Pension Fund. Donovan, who was appearing before the oversight subcommittee of the House Ways and Means Committee, also requested certain changes in the Employee Retirement Income Security Act (ERISA) to allow more selective prosecution of wrongdoers within the pension fund.

Faced with allegations of mismanagement and links to organized crime, the pension fund, which has had a higher rate of return on investments than most similar funds, has been under contract

with the Equitable Life Insurance Society to manage the fund since 1977 as part of a series of reforms mandated by the government as conditions to restore the fund to tax exempt status. This agreement expires on Oct. 3 and, according to Donovan, the fund has "not agreed that the [independent] manager should have *control* over not only the assets themselves but also the investment policy."

Government witnesses argued that if they did not have these tools in legislative form, their only recourse would be to deny the fund tax-exempt status when the next wrongdoing occurred, and thereby hurt all the potential pension-plan beneficiaries of the fund.

Subcommittee chair Charles Rangel (D-N.Y.), along with Rep. Jake Pickle (D-Tex.), seemed irritated that the government was back before Congress "*once again*" seeking additional legislation for Teamster's pension fund reform, a process that has continued since ERISA was passed in 1974. While these Congressmen are not favorable toward the Teamsters, many feel that more aggressive prosecution of wrongdoing in the pension fund on the part of the Labor Department and the Government should take care of the problem.

The Teamsters, who are not facing an easy time from either the Congressmen or the Department of Labor, may have set themselves up from within by bringing on former Sen. John Culver, a Ted Kennedy intimate, as their negotiator with the government. The Kennedy family role in "getting" the teamsters is well-known.

National News

Prescott Bush drops Senate race

In what could indicate a serious setback in Vice-President George Bush's presidential ambitions, his brother Prescott Bush withdrew from the Connecticut Republican senatorial primary July 27.

Bush claimed that he withdrew from the race because winning the primary against incumbent liberal Republican Lowell Weicker would cost so much that he would not be able to run a strong campaign against the Democratic candidate, Rep. Toby Moffett.

Bush was receiving support from both the blueblood banking families of Connecticut and notorious mob lawyer Roy Cohn, who maintains a home in Greenwich. But Reagan supporters Paul Laxalt (R-Nev.) and Barry Goldwater (R-Ariz.) had campaigned for Weicker in Connecticut.

New Right's Family Forum hosts cult

The second Family Forum conference, "Traditional Values Work," held in Washington, D.C. July 27-29, featured a panel led by John Russell Spann, president of the American Society for the Defense of Tradition, Family and Property.

Tradition, Family and Property is a Mariolatry cult founded in Brazil in the 1960s and modeled directly, down to costumes, on the Dominican Inquisition. Members of their paramilitary wing were photographed using a picture of Pope John Paul II for target practice.

The conference drew only 500 participants—half the number assembled in the last Family Forum in 1980. It was sponsored by the Free Congress Research and Educational Foundation, headed by Paul Weyrich, a close associate of New Right fundraiser Richard Viguerie, and the Moral Majority Foundation.

Rep. Jack Kemp (R-N.Y.) spoke on the "moral obligation" of the government to back its currency with gold. Avoiding all economic analysis, Kemp merely criticized Keynesian economics on the basis that "Keynes had no children."

The conference added to a crescendo of New Right attacks on the Reagan administration, as evidenced by the statement of National Pro-Family Coalition chairman Connaught Marshner. Marshner spoke of "disenchantment with Reagan. . . . He said he was strongly pro-life. . . . And then he got in and said the economy is the problem. . . . He has a palace guard around him—Deaver, Meese, Baker—who don't believe these issues are important," according to press reports.

Rabbi Davis confirms ties to Scientology

EIR's Investigative Leads staff has learned that on May 8 Arnon Hanani, representing the intelligence division in the New York and Israeli Church of Scientology cult, met secretly with Rabbi Maurice Davis of the Westchester County, New York "Citizens Engaged in Freeing Minds" to reaffirm a "special arrangement" in effect between them since 1975.

Davis is an "anti-cult" spokesman with the B'nai B'rith Anti-Defamation League previously involved in the MK-Ultra drug and mind-control operations in Lexington, Kentucky during the 1950s, and a major sponsor of the late Rev. Jim Jones during the 1960s.

Hanani also met with Dr. Philip Abramowitz, the director of the New York Jewish Community Relations Center's Taskforce on Missionary Cults, an espionage agency overseen by the Israeli Interior Ministry and funded in part by Dope Inc.-linked businessman Max Fisher.

Hanani boasted, "I told him [Davis], 'Look, it's simply very easy for me to handle you. It's very easy to work together. Why should a person spend \$20,000 on a deprogrammer if they can just come to me. . . . If [Davis] wants to establish a

line to me . . . I will see if things can be handled.'"

Asked if "Rabbi Davis will function as a complaint department for you," Hanani stated, "Yes."

Hinckley release hearing scheduled for August 2

John Hinckley, Jr. will be considered for release from St. Elizabeth's Hospital at hearings on Aug. 2. At that time a report on his mental condition, prepared by the hospital, will be presented and discussed before Judge Barrington Parker of the U.S. Circuit Court, District of Columbia.

The report on Hinckley's mental condition will not be made public, according to a decision by Judge Parker. Should Parker determine Hinckley is of no potential harm, he may be released on Aug. 9. If not, he may seek a hearing every six months to review his condition.

According to a front-page story in the *Washington Post* on July 22, another patient at St. Elizabeth's Hospital, John Crutchfield, walked out of the hospital on July 19 and again on July 20 and attempted to rob a Washington, D.C. bank. Crutchfield was committed to St. Elizabeth's last year after standing trial for robbing the same D.C. bank twice last year. Crutchfield was found "not guilty by reason of insanity."

South Bronx politicians: 'Oliver might win'

National Democratic Policy Committee-backed congressional candidate Fernando Oliver's campaign for the Democratic nomination in the 18th C.D. in the South Bronx is now being mooted as a possible winner by Bronx politicians. This race is Oliver's first major bid for office.

Oliver is challenging incumbent Robert Garcia, a supporter of the Carter administration's Global 2000 depopulation policy and co-author with Rep. Jack Kemp (D-N.Y.) of the slave-labor free-

enterprise-zone bill. This bill would allow the suspension of labor laws and other regulations in such devastated inner-city areas as the South Bronx.

The Spanish-language press in New York has given almost daily coverage to Oliver's proposals to rebuild, rather than escalate the destruction of, the South Bronx, and his commitment to classical education for Hispanics, American youth and all other children. Also reported have been Oliver's opposition to the political control of the Bronx by Stanley Friedman, an associate of mob lawyer Roy Cohn, and Oliver's charges that Garcia is silent on the issues of illegal drugs and genocide.

FEF: U.S. losing its technology edge

In a talk before the monthly meeting of the Huntsville, Alabama chapter of the National Democratic Policy Committee, *EIR* Science and Technology Editor Marsha Freeman, representing the Fusion Energy Foundation, summarized the state of U.S. industry and technology. "Even if we had double the amount of the current space budget," Freeman contended, "we do not have the scientists, technology, industrial base, or number of people we need to go into space."

Freeman had toured the Marshall Space Flight Center run by the National Aeronautics and Space Administration, the Army Ballistic Missile Command, and the Alabama Space and Rocket Center museum. "The Marshall Center had 5,500 people in 1961," Freeman stated, "but today it is down to 3,400 people."

The 25 NDPC members and supporters concurred with the speaker, citing their own knowledge of the poor quality of U.S. science education and lack of investment in research and technology.

Questions centered on the method of organizing on a national basis to change the cultural and moral state of the U.S. Many in the audience from Huntsville and surrounding areas of Alabama had reported on the influx of illegal drugs

into the state and voiced the need to fight this drug plague with the NDPC nationally.

Trilateralist Califano to investigate Congress

The House Ethics Committee voted July 27 to give former Secretary of Health, Education and Welfare Joseph Califano the post of chief investigator in the Committee's "drugs and pages" scandal inquiry. Califano's mandate includes "independence, resources, authority," and unlimited time to investigate alleged congressional wrongdoing in what looks like the latest Justice Department assault on the legislative branch in the tradition of Abscam.

Califano, a member of the Trilateral Commission, which has pronounced democracy "outmoded," is on the record advocating the "streamlining" of the executive and legislative branches of government as a replacement for the current constitutional system.

Joe Califano is also an experienced counterinsurgent, schooled in the 1965 Dominican Republic invasion and the "strategic hamlets" operations against civilians in Vietnam while he was a member of the Robert McNamara Defense Department under Lyndon Johnson. In 1966-67 Califano and Cyrus Vance collaborated in applying these techniques domestically with "Operation Garden Plot," the plan to kindle riots in U.S. cities as the pretext for imposing martial law. Califano helped to plan, with future Khomeini-supporter Ramsey Clark, the Johnson administration's "Great Society" programs, which included replacing urban constituency-based political marches with community-action groups, and mass dispensing of the addictive drug methadone.

He was one of a dozen cabinet and subcabinet level officials from the Trilateral Commission to serve under Jimmy Carter.

Briefly

● **TED SORENSON**, Jimmy Carter's failed nominee as CIA Director and a long-time Harriman/Kennedy operative, testified before a House task force on elections June 28, calling for tighter controls on independent political action committees, of which the two most prominent are the National Conservative Political Action Committee (NCPAC) and the National Democratic Policy Committee (NDPC). He wants party leadership to control candidates' funding.

● **CONDUCT**, the Committee on Decent Unbiased Campaign Tactics, has been formed in New York state to "discourage campaigning appealing to prejudice based on race, ethnicity . . . gender, or sexual orientation." The panel includes Bishop Paul Moore of the Cathedral of St. John the Divine, a U.S. command center for cult and terrorist support operations, and Stewart Mott, funder of zero-growth and other Aquarian projects. It was assembled by R. Peter Strauss, chairman of WMCA, New York's largest rock radio station, and includes representatives from the Philip Morris Tobacco Company, major funders of the B'nai B'rith Anti-Defamation League.

● **AN NDPC** rally on Capitol Hill July 29 opposing the bailout of the Eurodollar market by the Federal Reserve, found few Congressmen literate on the subject of what a Eurodollar is.

● **THE COUNCIL** for a Livable World, a political action committee supporting a nuclear freeze, is raising funds from rock concerts to support anti-nuclear Congressmen. Two of the biggest recipients, Malcolm Wallop (R-Wyo.) and Orrin Hatch (R-Utah), are also major recipients of funds from the nuclear industry.

Editorial

Keep Henry Kissinger out of Israel

We were "cautiously ecstatic" when, on June 25, Alexander Haig was finally dumped for repeatedly lying to President Reagan. It was Haig and Britain's Lord Caradon who connived with Israeli Defense Minister Ariel Sharon, a British agent, to outflank both Prime Minister Begin and President Reagan, and to create "Israel's Vietnam," the present bloodbath in Lebanon. But, as we warned at the time, it was signals and channels set up earlier by Henry Kissinger which Haig used to hoodwink the President and to help Sharon outmaneuver Menchem Begin.

Now, as we warned in the July 6 *EIR*, the wicked Henry Kissinger is moving to resume his position as controller over U.S. policy in the Middle East and Germany. *This must be stopped, as long as there are still people living in the Middle East.* There are already too many dead, and already too many threatened nations there. It is time for U.S. citizens to walk to the nearest telephone or telegraph office and tell President Reagan to keep Kissinger entirely out of U.S. government affairs. It is time for foreign officials to make it clear to Washington that the mere appearance of that sub-human Henry Kissinger in any official U.S. capacity will finish U.S. influence abroad—completing the work for which Haig was presumably fired.

Regular readers of this review know that on May 10, 1982, Henry Kissinger publicly boasted in a speech at Chatham House in London, that his entire U.S. career had been in the service of British interests. This treasonous scoundrel rejoiced over the premature death of Franklin Roosevelt, and bragged of the way in which he had repeatedly lied to Presidents of the United States while selling the United States down the river.

While he was in London, Kissinger reached agreement with the British-centered oligarchy on at least three points. These points included plans for the immediate destabilization of Mexico and India. The third point was an agreement to intensify dirty operations against Lyndon H. LaRouche, Jr., *EIR*'s founder, and his associates.

This related to the immediate potential assassination-threat to his wife, Helga Zepp-LaRouche, and to LaRouche himself, in that order.

The LaRouches recently held substantive discussions with the heads of government of India and Mexico. To leaders of political organizations in the United States, Western Europe, Ibero-America, and Asia, Lyndon and Helga LaRouche are the advocates of a program of "American System" technology transfers into the developing sector, to use "Great Enterprises" as the basis for rapidly industrializing the formerly colonial nations and launching economic recovery in the advanced sector. This would seal the doom of the political power of Kissinger's oligarchical controllers.

This is the background to the astonishing disregard for the legal hazards of "malicious libel per se" exhibited by NBC-TV News on July 9. NBC broadcast a torrent of lies about LaRouche from the mouths of the defendants in a \$70 million legal action against unlawful conspiracy in the state of Illinois—among them notorious dope-lobbyist "Chip" Berlet. But NBC's highly paid "consultant," Henry Kissinger, is not known to be choosy about the character of his policy instruments.

Kissinger said to Pakistan's President Bhutto, "We are going to make a horrible example of you." Soon afterwards, Bhutto was overthrown and murdered. It was Kissinger's voice—according to the Italian newsweekly *Panorama*—that hissed, "You will pay dearly for your political plan" to former Italian Prime Minister Aldo Moro, before Moro was kidnaped and murdered in 1978. Kissinger was behind the most brutal genocide in the 20th century, the killing of 3 million Cambodians by the Pol Pot dictatorship he did so much to place in power.

Now Kissinger wants to get his stinking feet into Israel again. His sidekick Philip Habib conveniently "self-destructed," when he was suddenly revealed to be on the payroll of the "pro-Arab" Bechtel Corporation. The word went around Washington: "We'll have to send in Kissinger."

Reagan mustn't do it.

EIR

U.S., Canada and Mexico only

3 months \$125
6 months \$225
1 year \$396

Foreign Rates

Central America, West Indies, Venezuela and Colombia:
3 mo. \$135, 6 mo. \$245, 1 yr. \$450
Western Europe, South America, Mediterranean, and
North Africa: 3 mo. \$140, 6 mo. \$255, 1 yr. \$470
All other countries: 3 mo. \$145, 6 mo. \$265, 1 yr. \$490

I would like to subscribe to the *Executive Intelligence Review* for

3 months 6 months 1 year

Please charge my

Master Charge No. _____ Visa No. _____

Interbank No. _____ Signature _____

Expiration date _____

I enclose \$ _____ check or money order

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

Make checks payable to *Executive Intelligence Review* and mail to *EIR*, 304 W. 58th Street, 5th Floor, New York, NY 10019. For more information call (212) 247-8820.

Talk to the EIR Research Center every week!

Weekly Access Information Service

For the EIR subscriber who needs a
constant flow of political and economic information

For \$3500 per year the weekly service offers:

- Access to any EIR intelligence sector
- Two hours of phone consultation per week
- Two hours of special research by EIR staff each week on a question of the client's choice
- Half price on all EIR multi-client Special Reports

To sign up for the service, or to get further information,
contact Peter Ennis, EIR Special Services Director, at 212 247-8241

EIR Executive
Intelligence
Review