EIR

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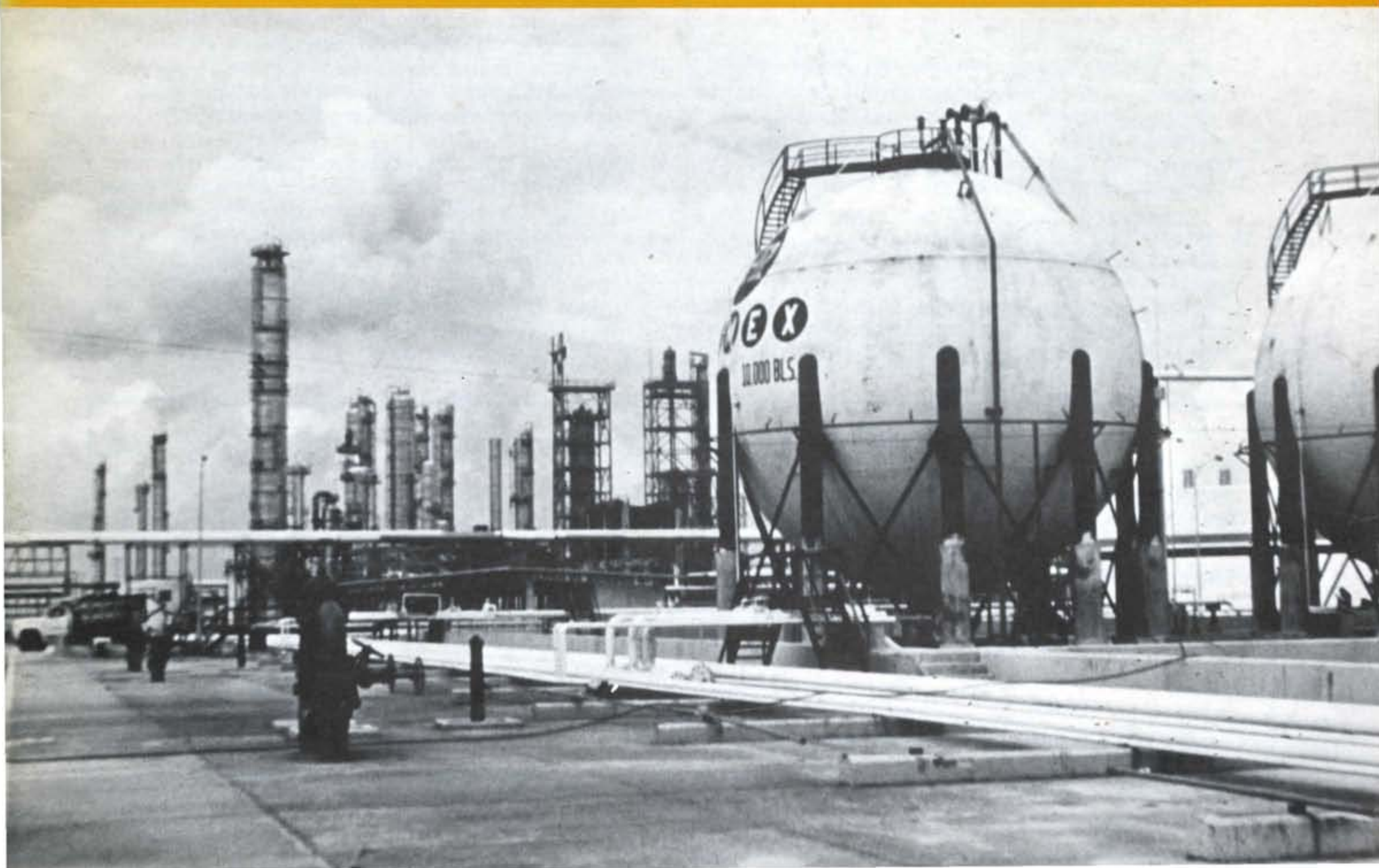
George Bush and the disarmament mafia

Post-industrial politics in Chicago mayoral race

François Genoud at center of Ben Bella affair

An 'energy Yalta pact': why oil prices will not stay down



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EIR

From the Managing Editor

In this issue's Special Report, we present the evidence that a plan for a "controlled collapse" of world oil prices is part of an overall plan to blow out the debt of Third World nations and with it the American banking system, unleashing conditions of panic which would enable London and its allies in the European oligarchy to put the United States in receivership. Those are the same forces which doubled oil prices in June 1979, undercutting the new European Monetary System and giving Paul Volcker a pretext for his "counter-inflationary" credit crunch. Oil prices are simply a tool in the geopolitical game; to quote Economics Editor David Goldman, "London has pursued the same objective without swerving since the end of the last World War, to prevent the United States from exporting its industrial system to the developing world, and ultimately, to subject a ruined America to the vice-regency of a supranational institution."

Once the world is locked under its Malthusian supervision, of course, the London-International Monetary Fund group can hike prices again—or, to put it another way, oil prices will be largely irrelevant in the shattered economies run by an IMF regime.

EIR founder Lyndon H. LaRouche, Jr. issued a recommendation Feb. 5 to Saudi Arabia for countering these Malthusian gameplans. The Saudis, he said, should pump 10 to 15 million barrels a day (compared with the present 4.5 million) and sell it at $20-$25 a barrel (or $5 if they have to, and bring the price back up later). The monetary system is already bankrupt, he said, and "You cannot delay the inevitable, you cannot postpone the unstoppable." If the Saudis take this step, the multinationals who are carrying 60 days' worth of stocks will be thrown up against the wall. Producers like Mexico and Nigeria won't really be hurt; it must be recognized that these countries are already bankrupt, and what they need is a debtors' cartel to reorganize their debt. Such Saudi action would facilitate that process, LaRouche concluded.

Thus the choice at this point is between passively waiting for a financial collapse and IMF takeover, or acting now to freeze unpayable debt while launching the industrial boom that will eventually redeem it.

Susan Johnson

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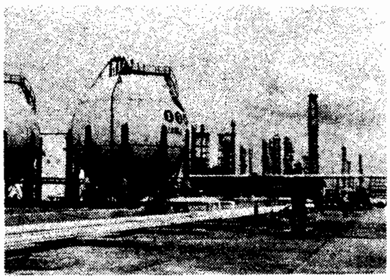
Special Report



An installation of Pemex, the Mexican state oil company. The 'energy Yalta' plan prescribes a Western hemispheric bloc in which Mexico is obliged to be the main U.S. import supplier, and the United States is forced to abandon the Middle East.

Uwe Parpart/NSIPS

International

National

Correction: In our Feb. 8 Special Report on the Non-Aligned movement and its enemies, the impression was inadvertently given that the interview with Club of Rome member Eleanora Masini was, like the other interviews in the section, conducted by our European Economics Editor, Laurent Murawiec. The Masini interview was provided by an independent source.

Selling the White House on gold-backed SDRs

by David Goldman

The European Management Forum's annual conference at Davos, Switzerland, goes largely unreported in the American press. During Jan. 30-31, it heard former West German Chancellor Helmut Schmidt, New Zealand Prime Minister Robert Muldoon, and a variety of private economists present one or another scheme for a "world central bank," or a "new Bretton Woods," or similar measures which amount to an International Monetary Fund and Bank for International Settlements dictatorship over world credit. Muldoon, who first raised the slogan "a new Bretton Woods" at the September 1982 meeting of the British Commonwealth, is also the Chairman of the Commonwealth's task force on international monetary reform. He wants a "security council" for economic affairs composed of the leading industrial countries in parallel to the Security Council of the United Nations.

Remote as the Davos events may seem, the elite Swiss club is one of the few places in the world where the debate inside the administration may be aired in the open. Secretary of State George Shultz and his acknowledged "close friend and adviser" Henry Kissinger have combined with the economists of the "New Right" to sell the administration on the ultimate answer to the multi-layered financial crisis programmed to break this spring.

Mundell's proposal

The guru of "supply-side economics" (the man who invented Arthur Laffer), Columbia University Professor Robert Mundell, opened the ideological currents to public view in a Jan. 31 essay in the *Wall Street Journal*. Mundell, associated with the International Monetary Fund for most of his career, for the first time linked the notion of a return to a gold standard—a subject congenial to the belief-structure of Reagan's political base and immediate circle of advisers—to the notion of a world central bank.

Mundell reviews the past 10 years' monetary history, concluding that the world has moved from a gold standard to the "Volcker standard," and notes accurately that the principal result of the destruction of the fixed-rate exchange system was the uncontrolled expansion of the Eurodollar market. He suggests, as previously, that the United States buy and sell gold within specified margins as the foundation of a new system—the 1980 approach proposed by former Bank for International Settlements chief Jelle Zjilstra, or what the Kempites called the "Mundell-Zjilstra Plan."

However, Mundell, who was one of the original theorists of the SDR in the early 1960s, adds the following:

> It may be possible to integrate some of the features of this new gold exchange standard with the activities of a world central bank using the SDR as an instrument for centralization of exchange rates. The world central bank could take the lead in accepting gold from national central banks that wanted more SDRs or in selling gold to those central banks desiring to reduce their holdings of the world reserve currency. The existence of such an institution would go a long way

toward alleviating the current difficulties of debt rescheduling—or worse.

The difficulties of establishing such a bank are easily exaggerated; they are not more insurmountable than the difficulties of setting up the Bank of England or the Federal Reserve System. The path has already been broken by the comparatively successful establishment of the IMF and the International Bank for Reconstruction and Development at Bretton Woods. After 40 years, these institutions are thriving, the more so as the debt crisis deepens.

It is necessary, of course, to bear in mind that it does little good to wish for a system that cannot be implemented. The authorities do not have complete discretion in determining the outcome of an international monetary system that contains its own internal laws of evolution. The fact is that the world in the future will probably contain features of several monetary systems.

We now have features of a world central bank and still have vestiges of a gold standard, which detractors might call an atavism, or barbarous relic. It is, nevertheless, here that I believe the most progress can actively be made, taking the best from the past and linking it with the best in the present. Stabilization of the price of gold would be a gigantic step toward stabilizing the value of international reserves, and the creation of a suitable world central bank would be, over the future, an indispensable instrument for the resolution of the world debt crisis.

Washington under pressure

The link between gold and SDRs is a matter of the "internal laws of evolution" Mundell refers to, i.e., the big setup, in the following fashion: the main loser in a collapse of the oil price will be the market for U.S. Treasury securities, which is the biggest point of vulnerability of the world financial system. At the point of crisis in the Treasury market the reserve basis of all central banks is called into question; and at this point, the "barbarous" relic remains as the principal reserve asset by default.

The supposed "liberals" in the administration around George Shultz are now rallying around Mundell's program for a gold-backed Special Drawing Right, and the "West Coast" conservative group based at Stanford University has suddenly found common ground with the "East Coast Establishment" group at Henry Kissinger's Center for Strategic and International Studies at Georgetown University in Washington.

A close aide to Secretary of State George Shultz, describing Washington's tortuous path toward acquiescence in a world monetary reorganization that would give the International Monetary Fund the powers of a world central bank, characterized the administration's present mood as follows: "These ideas are now filtering into the White House through a variety of mechanisms. George [Shultz] has [Undersecretary of State for Economic Affairs W.] Allen Wallis pumping things into the White House, where Allen has excellent contacts. And it will come up at the Conference on World Growth of the Institute for Contemporary Studies—that's the group that Ed Meese is associated with—in Mexico City in late April. This will have a lot of World Bank people; it is being cosponsored by the U.S. Information Service. There will also be Mexican participation.

"The way an organization theorist would try to describe the process is that there is a dialogue which shapes the domain of perceived options and sets the agenda for the country. Some of this has to do with power and territoriality, some with ideas. The point is that people are beginning to coalesce around the domain of acceptable options for dealing with the crisis."

And a senior administration economist, evaluating the impact of the imminent collapse of the oil price, had this to say: "The oil price problem represents serious problems in the short term. In the medium term, of course, it helps, but if we can't get through the short term, the medium term isn't much good. There is a good deal of feeling in this administration, which I don't share, that the problem is solved, that all of this ad-hockery has solved the problem.

"There is a good deal of pulling back, and a lack of real interest in looking at long-range solutions. So early spring would be perfect timing. At this point it will be clear that nothing has been solved. The Exchange Stabilization Fund and BIS bridging loans to Brazil and Mexico will come due then, and the countries won't be able to pay. There is a very real possibility that the Europeans might break off and set up their own arrangements, and make some sort of deal with the Russians. There's a lot of talk like this going around. But all these ideas come together in this talk of an international central bank.

"The problem, people are saying, is due to the decentralization of decision making. They want greater coordination and an international command economy. None of them say that, because it would arouse opposition; but that's the content of the plan."

Meanwhile, Sen. Charles Mathias is continuing hearings in the Senate Foreign Relations Committee on the subject of the International Monetary Fund; these have escalated from a mere demand that the United States hand over tens of billions of dollars to the IMF, to a demand that it give political authority to the IMF as well.

Carter administration Treasury Secretary G. William Miller, testifying Feb. 2 at Senate Foreign Relations Committee hearings on the international debt situation, called for "an international reserve unit to be used as a reserve asset for deposits and denomination." He also proposed that the International Monetary Fund have mandatory deposits in convertible currencies without waiting for the political process" to augment the IMF's available funds, i.e., direct Treasury handouts to the supranational institution without congressional approval.

The "coalescence around a domain of options" has extended into strange places and remarkable individuals. On Jan. 21, the Cato Institute, the ultra-libertarian Washington foundation linked closely to Friedrich von Hayek's Mont Pelerin Society, sponsored a conference entitled, "The Search for Stable Money." The "only significant speech," as an associate of Professor Mundell said, was delivered by an economist who usually speaks on behalf fo the Third World caucus at the International Monetary Fund, Brazilian Executive Director Alexander Kafka.

The Czech-born Brazilian proposed, as he usually does before credulous Third World audiences, the use of the International Monetary Fund's Special Drawing Rights as a means of increasing international liquidity, a standard Third World demand; except this time Kafka proposed to bring in gold backing for the SDR, moving in towards Mundell's camp at the same time that Mundell took a giant step towards his.

Institutions and timing

Elsewhere in this issue (see Special Report) we elaborate the grounds to expect a rip-roaring financial crisis during April or May, between the summit meeting of the Non-Aligned Nations in New Delhi March 7-11 and the summit of the seven leading industrial nations at Williamsburg on May 28. All that is now required to bring down the banking system, as *EIR* founder Lyndon H. LaRouche, Jr., emphasized in these pages two weeks ago, is a handful of telexes from European banking consortia calling nations that are already in default de facto into default de jure.

Bank of England officials are already describing the Managing Director of the International Monetary Fund, Jacques de Larosière, as "the man on horseback," the "French bureaucrat with a field marshal's baton in his knapsack." Says one IMF economist, "When the crisis hits, someone has got to pull it all together; someone has got to go to the governments and make the big play. A new institution won't fly. It's got to be de Larosière."

A closed conference of the International Monetary Fund on March 25-26 at the IMF's Washington headquarters will brief the Fund's executive directors on the extent to which the current legality of the IMF Charter can extend the operations of the Fund to those of a de facto world central bank. The proceedings of the conference will not be available until afterwards; however, one document now circulating among executive directors makes the following arguments concerning the end of the dollar era and the prospects for the IMF:

> The decline in the role of the dollar lagged behind and has not gone as far as the decline in the dominance of the U.S. economy. . . . The closing of the U.S. gold window on Aug. 15, 1971, was a dramatic event, but it should be viewed as the last act in a long process that transformed the gold-dollar standard into a pure dollar standard. . . .
>
> The successful "recycling" of OPEC surpluses had demonstrated that liability financing was an option open to most governments. . . . Now that recycling has ended, however, we can see why so many countries were able to engage in liability financing—why recycling was successful. There were these special reasons:
>
> 1) Most of those same countries entered the 1970s with rather light debt-service burdens. . . .
>
> 2) The concentration of current-account surpluses was unique, and so was its disposition. A handful of oil-exporting countries were building up huge claims on the outside world, and they chose for various reasons to hold those claims in liquid forms. Thus, banks had large sums to lend just when they were wanted. This set of circumstances would be hard to reproduce—and it did not last. In fact, it fell apart completely.

The document, whose author would not be quoted by name, concludes that reserve-creation through "liability management," that is, short-term borrowing, is finished as a regime, and says that the IMF "is the only agency that can create a reserve asset whose quantity and quality can be controlled precisely—an attribute that we may come to value highly in an increasingly uncertain world."

All that is required to replace the American dollar with the Special Drawing Right, the paper concludes, "can be achieved without a change in existing law or practice. It is thoroughly consistent with the language of Article XVIII, Sec. 1(2): "In all its decisions with respect to the allocation and cancellation of Special Drawing Rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserves assets in such a manner as will promote the attainment of its purposes and will avoid economic stagnation and deflation as well as excess demand and inflation in the world."

At the appropriate point, IMF Managing Director de Larosière is supposed to walk into President Reagan's office and say something like this: "Mr. President, your IOUs won't pass any more. I've got a deal where your creditors will accept my Special Drawing Rights instead of your Treasury IOUs, which have become a drug on the market. So I am going to buy up all your notes from your creditors. And I want some say about how things are done around here."

Of course, the IMF's SDRs are backed by nothing but the IMF's "institutional credibility"; this is possibly the biggest confidence racket in world history. But the crisis is hitting so fast that it very well might succeed.

Why Ronald Reagan cannot balance the federal budget

by Richard Freeman

President Reagan's Jan. 31 budget for fiscal year 1984 was a compromise between the most severe budget-cutting and "staying the course," i.e., doing nothing. As a result, the President ended up with a $200 billion deficit, further cuts in programs essential for the economy, and sharp cuts in the defense budget.

The Reagan budget was fashioned not with any concern toward the national interests of the United States, but rather as a result of the attempt of the President to placate the several voices in his administration who have been raising the line of the International Monetary Fund that only deeper and deeper cuts in the budget can allow the United States to ever get its budget into balance.

This has been the repeated chorus of a clownish group of Wall Street bankers and six former U.S. Treasury Secretaries—Simon, Connally, Dillon, Fowler, Kennedy and Blumenthal—who operate under the name of the Bipartisan Appeal on the Budget Crisis. On Jan. 20, just before the President was to release his State of the Union message, this group placed two full pages of ads in the *Washington Post,* urging $175 billion in budget cuts.

Reagan got the same advice from the Three Stooges in his cabinet—Treasury Secretary Regan, Budget Director Stockman and Secretary of State Shultz, a "former" board member of Morgan Guaranty Trust. The same message was also delivered to Reagan this week by former U.K. Chancellor of the Exchequer Geoffrey Howe, who predicted that unless the United States cut its budget deficit, there would be a world financial disaster.

Not having a strongly defined view of how to proceed, the President gave in to the IMF crowd to a point, and made significant cuts and raised taxes.

At this point the President is praying that he made the right decision and that somehow, some way his move would solve the budget problems.

A study just completed by the *EIR*'s LaRouche-Riemann model shows that the President really has no choice that will work as long as he works within a financial geometry defined by the IMF and Wall Street. The LaRouche-Riemann economic model is the only competent forecasting service operating in the United States, having predicted the course of the past three years' "double dip" depression collapse to the proverbial "t."

The model found that first, it is not the federal budget deficit which is out of control, but the entire U.S. economy. Second, it found that if the budget-cutting and tax hike "cure" is applied, it will either crash the U.S. economy toward zero overnight or guarantee *increasing* budget deficits up to $500 billion by 1990.

The LaRouche-Riemann forecast

The LaRouche-Riemann model study has found that the United States is shifting ever more rapidly from a manufacturing, farming and goods-producing economy to a "post-industrial society" junkshop of paper shuffling, video games, and "recreational" drugs. Unless that shift is stopped abruptly, the study showed, the economy's "overhead" costs will swamp its productive base. The federal budget, which merely reflects this shift, will simply grow more and more out of balance.

In fact, the model found that if the budget deficit passed $200 billion, as it is expected to do in fiscal years 1983 and 1984, the economy will go into a "self-feeding" tailspin in which attempts to narrow the budget gap will actually enlarge it to the $500 billion range, and more budget cutting attempts will only hasten the rate of industrial decline.

But if the budget is not cut, if nothing is done but to "stay the course" as President Reagan has been arguing, the Federal Reserve continues to print money to monetize the federal deficit, as Paul Volcker has done for the past few months, then the United States will experience hyperinflation—the "wheelbarrows-full-of-money-for-a-loaf-of-bread" type of collapse that hit Weimar Germany in the 1920s. This "heads-I-win, tails-you-lose" dilemma is only soluble outside the range of policies presently which are presently being offered to the President: only by the economic re-organization plan offered by Lyndon LaRouche.

Pandora's box

The way to approach this question is to consider the level of overhead than an economy can carry without collapsing. Most of the items on the U.S. budget are overhead, perhaps necessary overhead, like social security, or essential overhead, like portions of the defense budget, but overhead nonetheless. As the economy has shifted toward a post-industrial society, and workers have been thrown out of work, more and more of the cost of maintaining the population has been shifted onto the overhead cost of the government.

The fundamental shift is documented by the shift in the labor force. Whereas after World War II, 67 percent of the labor force was in goods production, and 33 percent in non-goods production (services, clerks, etc.), by 1979 that ratio had shifted to 34 percent in goods production, and 66 in non-goods production.

In 1979, this translated into two workers representing overhead for each productive worker. But by January 1983, in the space of three-and-one-half years of Volcker-led depression, this rose to three workers representing overhead for each productive worker. This means that each productive worker must support one additional person, something that can't be done with current collapsing levels of productivity.

This same shift was captured by the LaRouche-Riemann model when it found in its analysis last Dec. 29, that the overhead cost of the economy, called d was larger than the surplus generated by the economy, called S by a staggering \$144 billion. When d exceeds S—the model calls this negative reinvestment or negative s'—the economy implodes inward on itself.

This unhealthy situation manifested itself last year, when for the first year in America's history since the depression, the increase in salaries and wages at \$38 billion was exceeded by government transfer payments—unemployment benefits, Social Security payment increases, welfare and food stamps, veterans benefits, and so forth—at \$60 billion. In fact, the manufacturing wages portion of the economy fell by \$9 billion in 1982. It was only the salaries portion of the wages and salaries—white collar workers reflecting d overhead— that increased.

The transfer of costs from the productive sector of the economy to the government overhead (transfer payments) can be seen in the case of unemployment benefits, which soared from a level of less than \$10 billion in 1979 to over \$31 billion in December of last year.

Thus the economy, whose manufacturing base is being wiped out, is being led by transfer payments, and like it or not, defense spending. What happens if the Wall Street-IMF cabal's demand for cuts in Social Security, unemployment benefits and food stamps are heeded by President Reagan? The major source of personal income growth will be wiped out, thereby destroying purchasing power. What if defense spending is cut? The only industry growing at a 20 percent rate, and therefore one of the few sources of orders for steel, machine tools, cement and manpower, is eliminated. What if \$60 billion in taxes per year are added on, especially regressive consumption taxes that hit the pocketbook of the wage-earner? That amount of purchasing power is taken out of the economy.

Thus, austerity measures, meant to balance the budget, reduce purchasing power further, which translates into fewer orders for steel, machine tools, and so on, which eventually leads to reduced production. This further contracts the tax revenue base, throwing the economy further and further into collapse.

If, on top of this, Volcker and the Fed raise interest rates, currently at 11 percent, that further contracts production—which deepens the deficit—and *leads to a deflationary collapse,* just as the IMF man predicted.

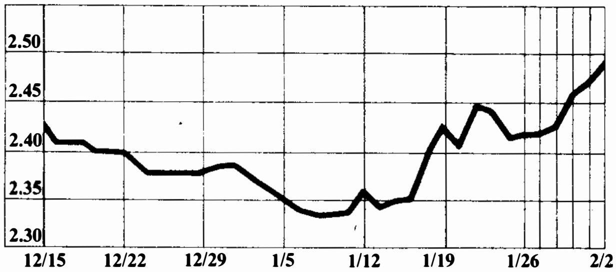
The danger of 'staying the course'

Austerity only deepens the budget crisis. But standing still and doing nothing—"staying the course," in the President's words—is equally dangerous. The United States will have \$300 billion in borrowing needs this year, including an expected on-budget deficit of \$190 billion, off-budget financing of \$17 billion, and \$90 billion in programs that get government credit guarantees. This amount is larger than U.S. savings, at \$220 billion. To finance such a need—plus an additional \$450 billion in outstanding Treasury debt that must be rolled over, the Federal Reserve would have to run the printing presses overtime. That does nothing to improve the economy, or therefore increase revenues or close the budget gap, but it does lead to a *hyper-inflationary explosion.* Thus, within the IMF world financial geometry, the United States must either have a deflationary or inflationary collapse.

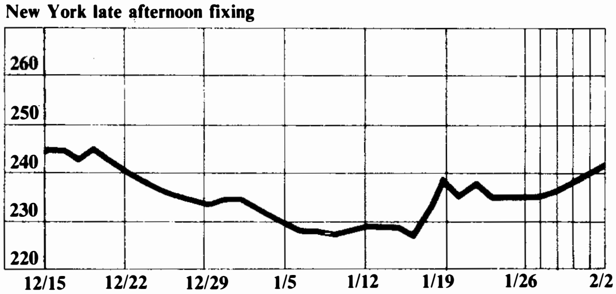
Operating within this geometry, Reagan and the U.S. Republic are as good as gone. The only solution the President has is to reach outside his own circle of advisers and the IMF to heed the suggestions offered by Lyndon LaRouche. Federalize the Fed, and have it operate to finance a New World Economic Order. The Fed then generates two to three percent interest-rate loans, through the private banking system, to bankroll industry, farmers, mining, construction and scientific research. Instead of bailing out the IMF, the Fed would save the productive base of the United States, in order to also save the Third World. If this program were combined with a crash development beam-weapon defense program, which would provide a high-technology jolt to the moribund industrial base, the United States would generate hundreds of billions of tax revenue dollars, and close the budget gap. Without adopting such an approach, President Reagan is doomed to enlarging the budget deficit to a point that the U.S. government, and the economy, are bankrupt.

Currency Rates

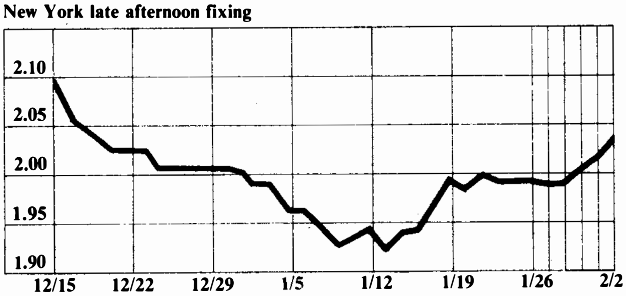
The dollar in deutschemarks
New York late afternoon fixing



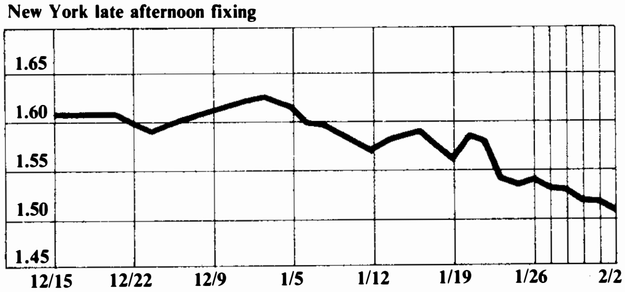
The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



Two versions of a Social Security fund

by Leif Johnson

The Jan. 15 proposals presented by the President's Social Security Commission demonstrate how dangerous, if not plainly evil, a set of seemingly minor adjustments to the economy can be.

Most people will focus their attention on where the commission intends to obtain the money to meet the Social Security system's obligations. In this, there are no surprises: the commission demands a new round of wage taxation, coupled with cuts in Social Security payout—the equivalent of deferred wages for retired workers, accumulated from taxes on their pre-retirement wages.

The only obvious incongruity here is that AFL-CIO President Lane Kirkland not only supported every wage-taxation element enumerated in the recommendations, but also proposed an additional $40 billion Social Security tax to those earning more than the present $19,000 cut-off.

The real matter of economic importance is not simply where the commission will get the money—a total of $169 billion over the next six years—but what they intend to do with that money. They are going to hoard it. The commission proposes to replenish the Social Security Trust Fund, which would build the fund to slightly more than $100 billion by 1989.

That Trust Fund, written into the original 1935 Social Security Act, cannot lend or otherwise invest its resources in the U.S. economy. It must sit there, a Midas-like hoard, sterile, quarantined from all economic use. The Trust Fund was designed by the Social Security Act's original sponsors—a group of New York City private banking houses—to abort the 1936-37 recovery and to reorganize the Depression economy into Mussolini-style corporatism.

Thus, what the commission, headed by Alan Greenspan, a member of the fascist Mont Pelerin Society, proposes is to bleed the depressed U.S. economy of $169 billion, and then freeze that money. This is the credit-crunching policy conducted by Federal Reserve Board Chairman Paul Volcker since October 1979; and it was Volcker's credit restriction, combined with usurious interest rates, that has reduced the wage base of the Social Security tax to the point that the system could not finance its obligations to pay benefits.

It then gave the Mont Pelerin monetarists a further opportunity to wreck the American economy.

President Reagan and Congress, confronted with the need to achieve a solution to the underfunding of the Social Security system, face a situation like that of a cash-strapped industrial company. Our hypothetical company is simultaneously faced with the illiquidity of its pension system and the necessity to replace its machinery. Should the company's scarce resources be allocated to the pension system or the replacement of machinery?

If the company's executive meets pension payments, he satisfies his retirees or his local union, but because he cannot replace machinery, he goes broke and his employees have neither jobs nor pensions. If he replaces machinery he may save the business and can make up pension payments that were missed.

A national economy has, of course, a greater freedom than any single employer. It can issue credit to cover expenses so that, if the economy is functioning properly, it should never be in a payments crisis where one or another payment must be triaged. Yet the economy operates under the same constraint as the individual entrepreneur. It must produce wealth, in ever increasing amounts and, necessarily, more productively.

Thus, the federal government must ensure the proper investment in wealth production. Failing that, the government automatically abnegates any long-term commitment—such as Social Security—although the population may not discover the failure until long afterwards.

Consider the effects that sterilization of $169 billion in the Trust Fund through 1989 will have on the present economy. These funds could be deployed in one of three immediately necessary items of national deployment:

1) Funding, through loan guarantees or export credits of U.S. exports. Amounts as low as $25 billion a year would, in conjunction with a New World Economic Order debt reorganization, produce an export increase of probably $100 billion annually, which could create well over one million industrial jobs. A million newly employed workers would pay $2 billion annually in Social Security taxes.

2) Development of the antiballistic-missile beam-weapons system which would create the technological basis for full scale application of laser and fusion technologies in industry. This would cost $100 billion over 10 years, or about half the funds sterilized annually by the Trust Fund's replenishment.

3) Development of nuclear fusion power, the door to a new industrial revolution. According to the Fusion Act passed in late 1981, the total cost of this effort through the year 2000 would be $10 billion.

A true Social Security Trust Fund, one designed to fulfill its obligations, would be an "industrial growth fund." From this fund the government would finance breakthrough industrial technologies and stimulate domestic growth through world trade. The profits of this growth would allow industries to install the newly developed technologies.

Agriculture by Cynthia Parsons

What organic farming means

The Institute for Alternative Agriculture is trying to sell American farmers on "energy-saving" organic methods.

'Farmers are listening and watching,' Garth Youngberg of the newly formed Institute for Alternative Agriculture in Washington, D.C. told *EIR* Jan. 14. "This trend is going to escalate." Alternative agriculture means "organic farming," or the substitution of ancient methods of minimal cultivation, use of manure, and so forth for maximal use of machinery and industrially produced fertilizers and pesticides. Youngberg is using his small institute, supported by a government grant, to lobby for organic agricultural methods among farmers and on Capitol Hill.

Many of the methods used in organic farming" and "its use as a solu- are standard practice for modern scientific farming, when applied in conjunction with use of pesticides, fertilizers, and modern equipment. But the Institute for Alternative Agriculture is committed to a very different agricultural policy.

Youngberg joined the USDA in mid-1980 as Organic Farming Coordinator, one of the last appointments of the Carter administration. Youngberg's appointment came at the same time that the *Global 2000 Report,* which advocates "energy-saving techniques" for agriculture in a world where food production must drop along with population levels by the year 2000—a policy that can only be accomplished by genocide.

Youngberg's only output while at the USDA was the July 1980 Report and Recommendations for Organic Farming, and he was let go, officially because of budget cuts, in late 1982. But although Youngberg claims there is little support at the USDA for his strictly organic programs—"Block is a conventional farmer, and bureaucrats run for cover if the man at the top gives no support," he told *EIR*—current USDA policies of curbing production, and the department's failure to fight the high interest rates that are bankrupting farmers all over the nation, will force farmers to change to what appear to be cheaper methods.

The real fraud of organic farming is that, just as with solar power production, it is prohibitively expensive on the scale necessary for the current population of the world. The handful of competent studies comparing organic to scientific farming methods show that yields per acre are lower, and food costs to the consumer will increase.

What is most cynical about Youngberg's organizing policy is that the only reason farmers are being driven to even consider his policies is financial desperation. There is no question that with increasing energy costs and less available labor on the family farm, chemical fertilizers and pesticides have been misapplied, and often overused. But any attempt to continue farming by cutting immediate costs—fuel for machinery, fertilizers, pesticides—would lead to dangerous drops in production levels in the face of drought or other natural disasters. And ultimately, the costs would drive more farmers out of production.

Although he was apparently unaware of it until informed by *EIR,* the cause of anti-technology organic farming has been taken up at the very highest levels of the oligarchy committed to "preserving" soil, wildlife, jungles, and so forth and at the cost of human-progress and human life; the British royal family. In early January, Prince Charles sent a message to the first major conference on organic food production at the Royal Agricultural College, of which he is president, supporting "pioneer work" in devising methods of "organic farming, bioagriculture, alternative agriculture . . . which make better use of renewable natural resources" to replace "not only very wasteful, but probably also unnecessary" modern farming methods.

Youngberg was delighted at the information. "It would be nice to hear the President of the United States say something like that," he exclaimed. Meanwhile, "there is a lot of sympathy on the Hill," he claims, after meetings with members of the House Agricultural Committee in preparation for the reintroduction of the organic farming bill defeated by the Senate last summer.

Growing fear of financial disaster among farmers is demonstrated by Youngberg's approach to getting through the revised bill, for which he claims 70 cosponsors. Representative James Weaver (D.-Ore.)
ing a "toned-down" version that focuses "on the economic aspects of organic farming and "its use as a solution to soil depletion." Support for any such measures to avoid the costs of scientific farming by resorting to marginal, and ultimately far more costly methods, will only endanger American productivity, and with it, the world's food supply.

International Credit by David Goldman

The Bank of England's plans for the U.S.

"Phase II" begins after an oil price drop and major defaults by developing nations.

President Reagan's personal aversion to "internationalism," i.e., the international financial institutions, is a principal worry at the Bank of England, according to a senior official of the bank in a recent background briefing. The official, reviewing the State of the Union message, warned that although the Reagan administration had paid lip-service to an expansion of the powers of the International Monetary Fund, matters had not gone far enough to ensure that the United States would respond appropriately at a point of crisis.

"Since the Mexico crisis," the official said, "things have gone more or less in the right direction. President Reagan's nod of approval to the quota increase for the International Monetary Fund and the expansion of the General Arrangement to borrow during his State of the Union address indicates that there has, indeed, been a change in the American outlook."

The official added, "However, there is still some trepidation here concerning the future actions of the administration. What will happen in the event of crisis? At this point, the crisis is still not deep enough such that [Federal Reserve Chairman] Paul Volcker, [Secretary of State George] Shultz, and [Secretary of Treasury Donald] Regan could go to the President, and tell him that he must spend his scant remaining political capital on behalf of a reorganization of the monetary system. President Reagan's advisers can still tell him that ad hoc procedures are sufficient."

But, the official concluded, "Once it becomes evident that Mexico can't meet the conditions of its agreement with the International Monetary Fund, we will go into Phase III."

The Bank of England's viewpoint is substantially the same as that elaborated by the British Commonwealth Secretariat's Task Force on monetary reform, chaired by New Zealand Prime Minister Muldoon. At a press conference adjunct to the Davos, Switzerland conference of the European Management Forum Jan. 28, Muldoon called for: 1)
term debt of "chronic debtor countries" with long-term fixed-interest debt, to be guaranteed by the international financial organizations; 2)
pansion of the International Monetary Fund's role of "lender of the last resort;" 3)
riod for the euphemistically named "adjustment programs" which the IMF requires in return for its loans; 4) an international council based on the IMF, similar to the United Nations' Security Council and 5)
Woods conference" to put the above into place.

A member of a Hudson Institute consulting team working with Deputy Secretary Tim McNamar on "options for monetary crisis management," confirms the Bank of England's "trepidation" regarding the administration's readiness to accept this program. "There has been a modest trend towards a less ideological position," the consultant said, "but they will have to do a lot more. They have moved only one-third of the way towards internationalism. Reagan himself is the one imposing the 'free-market' solution, and that raises the risk that the White House wouldn't move far enough under conditions of crisis. Of course, the people who wrote the January 1980 transition team report are mainly gone, like [former Treasury Undersecretary Norman] Ture, [former Assistant Secretary Paul Craig] Roberts, and those maniacs. And McNamar's influence is growing. But there is still the problem at the White House."

British Chancellor of the Exchequer Sir Geoffrey Howe thought the situation serious enough to issue a public denunciation of the Reagan administration Jan. 31 in the British House of Commons. Stating that "the world will not be stable—for the near-term," Howe warned against "illusions of a rapid recovery," i.e., the current gamble of President Reagan's "political advisers." Calling for a "new discipline" in economic affairs, Howe insisted that the "same institutions," i.e., the International Monetary Fund and the Bank for International Settlements, must impose this discipline. Above all, Howe concluded, the United States must cut its budget deficit by sharply reducing the astronomical amounts of defense expenditures.

To the extent that the administration is being uncooperative, the British feel, the combined impact of an oil price drop, major defaults by developing nations, and a crisis in the financing of the Treasury deficit itself will force President Reagan to heel. Although the President's own inclinations, which include deep distrust of the international institutions, work against the British perspective, the immediacy of financial crisis works for it.

Trade Review by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
UPDATE			
$400 mn.	Brazil/Mexico Brazil/ Venezuela Brazil/ Argentina Brazil/Ecuador	Brazilian Electric and Electronic Industry Association (Abinee) is negotiating oil for technology barter deals with the oil exporting countries of Ibero-America. With the closing of Mexican and Argentine markets, exports of Abinee's 770 member firms fell by 25% from $1 bn. level of 1981.	Negotiations backed by Brazilian government would lead to $200 mn. in exports of communications equipment, electric motors and heavy electrical equipment in exchange for equal value of oil.
$6 mn.	China from U.S.A.	A small contract for equipment for China's huge new steel complex has gained new life, thanks to Export-Import Bank funding. Contract, awarded in 1980, was held up by lack of funds.	China still wants U.S. technology, despite recent trade friction.
NEW DEALS			
$10 bn.	Algeria from France/Brazil/ West Germany/ Austria/India/ U.S.S.R.	Algeria plans to spend $10 bn. modernizing its 3,700 km. railway system which has deteriorated since independence in 1962. Passenger traffic has increased more rapidly than they can be handled. Plans are to modernize and rebuild the old lines running along the coast, while building new lines inland to open up the vast interior of the country to industry and modern agriculture.	Also hopes to provide efficient alternative to road and air transport.
DEALS INCLUDE:			
	Algeria from France	Paris Metro affiliate will design and build Algiers subway.	
	Algeria from West Germany	Deutsche Eisenbahn Consulting is aiding Algerian railroads to set up in-house engineering division.	Also giving advice on modernization.
$220 mn.	Algeria from Austria	Universale Hoch and Tifbau are rebuilding Algiers commuter rail network.	
	Algeria from Brazil	Transconsult Consultoria is designing an inland desert route linking cities of Touggourt and Ghardaia via Hassi Messaud oilfields.	
	Algeria from India	New lines and modernization of old ones in south-west Algeria awarded to state-owned Indian Railway Construction Co. and Rail India Technical and Economic Services.	
	Algeria from U.S.S.R.	Soviets are building new rail system in the western highlands between Ain Moussera and Saida.	
	Brazil from France	Pugliese, a Brazilian maker of plastics extruding machinery, has signed agreement with French firm ADS for technology transfer under conditions in which ADS receives a percentage of Pugliese sales. The technology is for "bio-oriented" PVC plastic containers which can be much thinner than old-style ones.	ADS says, "We prefer to lose markets, but gain royalties" by selling its technology to highly-indebted countries in Ibero-America and Africa which are forced to restrict imports.
	Brazil from East Germany	The Brazilian metalworking firm Jaragua has contracted with an East German state company for transfer of mining technology to Brazil. Jaragua makes capital goods for mining and oil industries. Contract is result of tour by Brazilian Basic Industry Association to East Germany and Czechoslovakia. Plans include sub-contracts to Brazilian firms from East German projects and joint ventures in Africa.	Brazilians say East Europeans often more willing to transfer technology to private firms in the LDCs than are multinationals, which want totally controlled subsidiaries in such areas.

Business Briefs

Research & Development

MITI calls for high-technology plan

Japan's Ministry of International Trade and Industry (MITI) published a report Jan. 31 calling for a 10-year, $300 billion (in 1975 dollars) government and private investment program in high-technology areas. MITI forcasts that investments in the key areas of microelectronics, biotechnology, and new materials could revolutionize industrial processes and could raise manufacturing productivity by 6 to 8 percent per year, and service sector productivity by 3 percent per year.

The R&D program would have to be combined with a 10-year $1.02 trillion program of investment in replacement of equipment by industry to reach these productivity levels.

The new areas of proposed investment include fiber optics, for upgrading communications; ceramics and other new materials to replace steel in car engines and other uses; biotechnology for upgrading agriculture and genetic research; plus investment in microelectronics and computers.

MITI projected the following total investments for the decade:

Microelectronics, $214 billion; fiber optics, $42.7 billion; biotechnology, $8.5 billion; new materials, $12.8 billion; and other, $21.5 billion.

Technology

Japanese plan to mass-produce satellites

The magazine *Space World* reported in its January issue that the Japanese company Nippon Electric has completed a manufacturing facility in Yokohama for the mass production of space satellites. Nippon is Japan's largest manufacturer of semiconductors.

The factory will be capable of building four satellites at the same time. The satellites will each will be one ton and would be launched for communications purposes. Nippon was the major contractor of 15 out of Japan's 23 satellites. It is also, according to the article, the largest manufacturer of communications transporters and ground-receiving stations in the world.

The first satellite to be fabricated at the Yokahama plant will be Japan's first marine observation satellite. Future satellites will include the Japanese Halley's Comet probe and later Planet-A, which will be the nation's first deep-space mission.

The Nippon facility will be equipped to fabricate satellites, do control testing of the satellite's stabilization capability as well as research and development on satellite systems and satellite antennae.

As the number of developing nations using and purchasing communications, weather, and other satellites increases, the Japanese will undoubtedly fill much of this export market. Until now, the United States has been the major builder of civilian satellites.

U.S. Economy

More recovery 'news' fed into the mill

December factory orders climbed 4.8 percent, the largest gain in two-and-a-half years, according to the Department of Commerce. The boost came almost exclusively from Defense Department orders which spurted 6.1 percent.

The Bureau of Labor Statistics (BLS) reported a two-million person increase in the number of the nation's employed in January. For the first time, they included the members of the armed services in the count of the employed. According to the BLS, this two-million increase in the employed shows the recession is ending.

Lower interest rates are said to trigger an imminent boom in home building, but the Commerce Department says that of last year's one million units constructed, nearly half remain unsold. The nation's inventory of unsold homes is now at six months, while the average price of new homes dropped $3,000 in the last quarter.

The drop in world trade is the one undisputed set of figures. According to the International Monetary Fund, exports of industrial nations to the industrial nations declined 2.7 percent from the third quarter of 1981 to the third quarter of 1982, but the decline in industrial nations' exports to non-oil producing developing countries declined 12.5 percent in that same period.

Capital Flows

Foreign investment hits record high

Direct foreign investment in the United States was at a record high in 1981, according to the Commerce Department. However, with the exception of some industrial investment from Japan, most of these investments were real straight buy-outs of U.S. estate and corporations.

The Commerce Department cited nine large foreign investments of over $500 million. Of these, only the construction of an automobile manufacturing plant by Nissan Motor Company will in any way contribute to the productive output of the U.S. economy.

The majority of investments came from Canada, led by a $6.2 billion acquisition of over 20 percent of E. I. DuPont by the Dope, Inc.-linked Bronfman family, through their Seamans subsidiary.

Other acquisitions included takeovers of banks, hotel chains, and real estate, particularly oil properties.

British buy-outs of American companies and properties was second to those from Canada.

Tax Policy

Farmers must cut cows' productivity

The $1 per hundredweight assessment tax on milk production to start April 1 means that farmers may have to reduce their cow's productivity.

Cows' diets will have to be changed to reduce costs to the owners because of his loss in revenues. Dairy nutritionist of the

University of California-Davis, D. L. Bath, says that "The biggest expense on a dairy farm is cost of feed, amounting to 50 percent or more of the total cost of milk production." The "question naturally arises: What feeding program changes should be made if the price received for milk drops $1 per hundredweight?"

Therefore, he claims, farmers would have to feed "optimum rations" per cow in order for him not to lose his entire profit. "Profits, if any, will depend heavily on the use of the best feeding and management information available and the skill of the dairyman incorporating this information into an efficient management program on his dairy."

However, Bath claims that many dairy farmers are not yet obtaining maximum feed efficiency and profitability. But since the $1 tax is being assessed to induce a cut in milk production, it seems that if farmers were getting maximum efficiency from their cows, milk production would increase.

Agriculture

Farm equipment sales decline sharply

Preliminary estimates from the Farm and Industrial Equipment Institute indicate that unit retail sales of farm tractors with 40 or more horsepower through November 1982 were down 25 percent from the same period in 1981, and down 45 percent from the strong pace of three years ago. Relative to a year ago, the downturn in farm equipment sales has sharpened in recent months. Year-to-year declines in unit retail sales of tractors with 40 or more horsepower widened from 9 percent in the first quarter to 29 percent in the second and 30 percent in the third. Combine sales also deteriorated as the year progressed. Unit retail sales of combines were down 39 percent from the year before in the first quarter, 41 percent in the second, and 44 percent in the third.

Tractor sales were down most in Iowa, Michigan, and Wisconsin, while combine sales were off the most in Michigan and Wisconsin.

The downturn in farm equipment sales is also evident for most other categories of equipment.

Dealers' and manufacturers' inventories are at burdensome levels with respect to the low sales. According to the Farm Equipment Manufacturers Association, 426 dealers closed their doors in 1981 and another 249 did so in the first half of 1982, representing about a 5 percent loss. Experts say this could double for the first half of 1983.

International Debt

Creditors' cartel manages Brazilian loans

The creditors' cartel founded by the British-based Ditchley Group of banks in Washington on Jan. 10 began operations in Brazil in late January. Brazil has given the banker's cartel "virtual management of its debt flows," reports the Brazilian business daily *Gazeta Mercantil.* The bankers are not only spying on the most intimate secret of Brazil's finances, but the big U.S. banks are having "to take in everyone else's dirty laundry," an officer of one of them moaned to *EIR,* "because nobody in his right mind would put dollars in there now."

Since the new institute formed by the Ditchley Group in Washington will not operate under its own name until March, a secret Jan. 25 meeting at Barclays Bank on Lombard Street decided that data collection be done by Chase and Bankers Trust. Every day, each of the Brazilian banks borrowing abroad sends these banks a complete report on its "funding position," including the terms and suppliers for all short-term financing going to Brazil. A New York banker confirmed to *EIR* that "the surveillance system is in place and the information is being disseminated to the banks on the committee by Bankers Trust."

He added, "Many of the LDCs would consider it quite a rape. Only because Brazilian banks are up against the wall would they be willing to do this." Sources at two of the biggest Wall Street banks told *EIR,* in the words of one, "every afternoon the guys in operations scramble around trying to cover the positions of Banco de Brasil." When they can't find someone else to pay Brazil's debts, their banks have to cough up the money.

Briefly

● **THE INTERNATIONAL** bankers' cartel organized last year at Britain's Ditchley Park castle announced plans to "coordinate" with "official multinational and government agencies," according to its Jan. 17 press release. The cartel, which has officially named itself the Institute of International Finance, also announced that its next meeting will take place in Zürich, Switzerland in late March.

● **THE INTERNATIONAL** Research and Intelligence Service (IRIS) quietly filed for bankruptcy dissolution in London Jan. 27. Billed as the largest public think-tank of the Anglo-American financial oligarchy, IRIS was formed last year under the direction of former British Prime Minister Ted Heath. Commenting on the demise of IRIS, Heath said, "We are not the only ones; the other firm in big trouble is McKinsey." Also a British-based intelligence and management consultant company, McKinsey has held strong sway over many American corporate leaders, including David Rockefeller.

● **HOMI SETHNA,** India's Atomic Energy Commission chairman, said that the dream of fusion reactors can be achieved in the early 2000s. Sethna's remark came in a late January public speech projection for commercial fusion. It contrasts sharply with the view of U.S. presidential science adviser, George Keyworth, who recently told a New Delhi audience that commercial fusion wasn't possible for at least 70 years.

● **SHIGEO NAGANO,** president of the Japan Chamber of Commerce and Industry, has led a mission of 24 to discuss the feasibility of constructing a second Panama Canal with President Ricardo de la Espriella of Panama. The mission includes Saburo Okita, an adviser to the Foreign Ministry, and top bankers. They will discuss private-sector Japanese cooperation in the project.

EIR Special Report

The plan for an 'energy Yalta'

by Judith Wyer

U.S. Energy Secretary Donald Hodel, in testimony before the Senate Energy and Natural Resources Committee, declared Feb. 1 that the Persian Gulf was no longer of strategic importance as it was during the 1970s. Because less than 10 percent of total U.S. oil consumption now comes from the Arab oil producers, Hodel said, government funding for the strategic petroleum reserve would be cut in half. The Hodel statement caused such a stir that the State Department issued a correction noting that the Persian Gulf remains within U.S. vital national-security interests.

The State Department response came after a wave of protests from Capitol Hill demanding a cut in the defense budget for the Rapid Deployment Force whose main deployment is protecting the Persian Gulf.

In fact, both the political and economic position of the United States in the Gulf, as well as the sharp downturn in U.S. dependency on Arab oil, support Hodel's statement. Less than 7 percent of U.S. oil consumption is now provided by Arab oil producers. And since the outbreak of the Khomeini-led revolution in Iran in 1978, the once-dominant position of U.S. oil concerns within the Middle East has steadily diminished.

EIR has documented the opportunistic ventures of Moscow and London to undercut U.S. influence in the Mideast and fill the vacuum themselves. A similar U.S. retreat is quietly occuring in Western Europe, where American multis are slowly liquidating their holdings in the gravely depressed refining and petrochemicals industries.

On the surface it would appear that American oil companies are pragmatically responding to economic pressures by leaving Western Europe. Similarly, the reduced presence of the American majors in the Arab world can easily be explained away as a response to the growing anti-Americanism of the radical regimes of Libya's Qaddafi and Khomeini's Iran, or the U.S. multis refusal to pay the high cost of Saudi crude.

But beneath the undeniable trend of the majors' retreat to home turf, is London's geopolitical battle plan since at least the mid-1970s: carve the world into two discrete spheres of influence. Known as the "New Energy Yalta," the scheme

The Novopolotsk oil refinery in the Soviet Union: the Soviets have increasingly sold to Western Europe, while certain Mideast OPEC members fill the slack in supplies to the Warsaw Pact.

associated with Britain's Lord Carrington, aims to carve out Eastern and Western hemispheric energy blocs.

In June of 1978 the then Chairman of Chase Manhattan bank, David Rockefeller, called for such an "energy Yalta" between the superpowers. But neither the hapless Rockefeller nor anyone else has revealed Britain as the mediator of such a physiocratic design.

Since 1978 there have been numerous attacks on the Yalta scheme from influentials within both Europe and the Arab world who recognize that it threatens the sovereignty of the nation-states of those regions. In mid-1979 the French journalist Alain Vernay editorialized in *Le Figaro* about the ominous political implications of an "energy Yalta." In mid-1981 Saudi Foreign Minister Saul al Faisal condemned the Yalta scheme, as did French Foreign Minister Claude Cheysson in mid-1982.

It is no coincidence that France above all other nations has staunchly refused to accept any supranational agreement which would diminish its national sovereignty. French President François Mitterrand was also the first to denounce the December 1982 arms limitation proposal of Soviet leader Yuri Andropov as a ploy to break the alliance between Western Europe and the United States.

A series of geopolitical studies was written in 1977 and released by the British-coached New York Council on Foreign Relations (CFR)
In the volume concerned with energy, the conclusion is that the Comecon nations will join a new supranational energy cartel which will dictate the price, the type, and availability of all energy forms to the world economy.

The "energy Yalta" is the political form of a London-mediated supranational energy arrangement, according to which both superpowers expend billions of dollars into exorbitant oil and gas projects, primarily in the Arctic area, at the expense of long-term investment in the more viable energy sources, thermonuclear fusion and fission. Such an orientation would lock both superpowers into raw-materials-based economies in conformity with the British Commonwealth's objective of reordering the monetary system on the basis of natural-resource looting.

The role of George Shultz

The mid-1982 appointment of former Bechtel chief George Shultz meant, among other things, that Shultz overcame the final U.S. obstacles to the completion of the Euro-Soviet gas pipeline. Upon completion, that gas pipeline will net the Soviets up to $8 billion in hard currency and lock Western Europe into a 20 percent dependency for its total gas needs (see article, page 21).

Bechtel is heavily involved in Soviet energy development, while Morgan Guaranty, on whose board Shultz sat before moving to the State Department, is an arm of the British oligarchy allied to Lord Carrington. Through the influence of Shultz, the Commerce Department last month dropped its ban on U.S. technology for the joint Soviet-Japanese oil and gas development project on Sakhalin Island. The same month, the Soviets approved a modified version of a plan submitted to the Kremlin a year earlier by Occidental Oil's Armand Hammer and Stephen Bechtel for a 200-mile long coal-slurry pipeline originating at Novosibirsk in Siberia.

Shultz and his British allies calculate that these western-supported massive oil, gas, and coal projects about to come on stream in the U.S.S.R., and primarily for export to Western Europe, will bring the Soviets into the CFR's supranational energy cartel.

Squeezing the LDCs

The kind of supranational order based on raw materials that the CFR and its mother institution, the Royal Institute for International Affairs, envision would mean that the only industry a developing nation would be allowed is raw-materials processing. The current downward turn in oil prices is calculated by the City of London and the International Monetary Fund to break the potential for developing countries to independently develop high technology industry.

The *Wall Street Journal,* a mouthpiece for Thatcherist British free enterprise, issued a declaration of war on the developing nations, Jan. 31 in an article entitled "Oil Markets' Balance of Power is Shifting to Companies From Producing Nations." The article quotes tough-talking oil-industry executives, including SoCal's Vice-President W. Jones McQuinn, that whoever controls oil markets in the future controls the entire business. The *Journal* gloated that the battering which Nigeria has taken as Gulf and other companies all but pulled out shows the producing nations have lost their powers.

On Feb. 1 James Lee, Chairman of Gulf, told a group of New York investment analysts that Gulf would only take 10 percent of its previous share of Nigerian exports, down 190,000 barrels a day, and was orienting its future investment in the Western hemisphere in Alaska, Newfoundland, and the sub-Arctic Beaufort Sea.

According to a Chase Manhattan Bank oil analyst, "in the future developing countries will be forced to give multinational companies with global market dominance contract terms that in the 1970s would have been unthinkable."

In late December, the Commonwealth's top operative, Aspen Institute associate Maurice Strong of Canada, sponsored a conference through his Swiss-based International Energy Resources Corporation which dealt with the new relationship emerging between the multinational giants and the producing states. At that conference Kuwaiti Oil Minister Ali Khalifa al Sabah, himself an asset of the British Commonwealth, stated: "It is better to be exploited and produce an income that can be used to develop your country than not be exploited and run from one financial crisis to the next."

A clue as to what Ali Khalifa means by development is provided in a report released in November 1982 by the Washington-based National Petroleum Council (NPC),
ficial think-tank for the Department of Energy. The report, in which the British-intelligence controlled Heritage Foundation played a dominant role, calls for increased private-sector investment into oil and gas in the developing sector. And for this reason it is no surprise that it advocates much tougher concession contracts with LDCs, giving companies such "luxuries" as marginal or no taxes on their investments abroad as well as the right to remove capital with no restrictions. According to a spokesman for the NPC, the report, which was issued to the press by Standard of Indiana chairman John Swearingen, acts as a kind of "shopping list" for companies interested in investing in the developing sector.

The next oil hoax

Daniel Yergin, director of Cambridge Energy Research Associates, has already begun a study on the emerging dominance of the oil companies over the developing sector. Yergin is featured in the Jan. 24, 1983 *Business Week* cover story, "Arctic Oil and Gas." Yergin is quoted: "The Arctic is absolutely crucial to the world supply picture." Yergin warns of a continued decline in OPEC output over the coming decade. John Swearingen said it bluntly before a Houston oil industry seminar at the end of January: The United States may expect "a complete shut-off of oil supplies from the Persian Gulf," the oil company chairman said, and should rate "a high probability of politicial explosion in the Persian Gulf."

In fact, it is common knowledge in the oil industry that by no later than 1985 there will be a new upturn in oil prices, probably sparked by a catastrophe in the Gulf that would undermine Saudi Arabia. Even Saudi Oil Minister Yamani himself predicts a price upturn at that time.

The kind of Arctic energy boondoggles Gulf and its multinational partners are now rushing into will, in the long run, require a market price far higher than $25 a barrel if inflation and the lead time to bring Arctic oil and gas on line are factored into costs of production.

The OPEC states did a favor for the financial gamemasters who run big oil in the 1970s by quadrupling the price. Oil reserves like the North Sea were for the first time made "economical." But in reality, it was never OPEC which masterminded the run-up in oil prices. OPEC was a façade for the men above suspicion in corporate boardrooms. As far as they are concerned, the current decline in prices will shake out some of these OPEC producers as a result of politicial chaos which will no doubt occur in certain OPEC countries from collapsed income. That chaos could well hit Saudi Arabia as the basis for the next oil price hike hoax.

This Special Report was prepared under the direction of Criton Zoakos and David Goldman.

OPEC's raw deal from the 'free market'

by Judith Wyer

Following the collapse of the late-January 1983 OPEC meeting, the long-awaited acceleration in the two-year decline of world oil prices commenced, triggered by the British National Oil Corporation (BNOC).

On the last day of the OPEC parley, BNOC sent out the word that it was "considering" dropping its $33.50 a barrel price by $2.00-$3.00. That news sparked chaos. All bets were off on OPEC achieving a production quota agreement in order to firm up the price.

As early as 1979, in fact, certain financial elites in London had announced that the oil price had gone high enough. Lloyds of London released a curious report calling for a $28.00-a-barrel level. Today, the Lloyds target may soon be met.

The London-centered strategists pushing a controlled oil-price drop are not concerned about the welfare of the world economy; far from it. They are attempting to use the erratic fluctuation in petroleum costs to shake out and streamline the oil markets in order to consolidate control over them.

A look at who is behind the current decline in oil prices reveals the same network of oil multis and trading companies which triggered the buying panic in late 1978 and led to the 150 percent jump in oil prices. Perhaps the largest single force in non-contracted "free-market" spot oil trade today is British Petroleum. Spot trade is thought to comprise well over 10 percent of the total volume of non-communist world oil consumption, which is now just below 45 million barrels a day. BP alone moves 1 to 1.5 million barrels there. Other major forces on the spot market are the giant raw-materials conglomerate Philip Brothers (Phibro), and Royal Dutch Shell, a firm which interlocks with Phibro.

Within hours after the collapse of the OPEC meeting, the spot market took about a $2.00 plunge, as companies began to unload stocks in anticipation of an imminent break in the OPEC benchmark price of $34 a barrel. The average spot price leveled off during the week of Jan. 31 at a price of between $28 and $30.

The same day the European spot market bottomed out, the U.S. domestic oil market began to see a comparable price drop. This process began on Jan. 31 when Gulf Oil announced it would no longer buy domestic crude for its refiners at a price higher than $31 a barrel. Within three days, 10 other U.S. major oil companies had followed Gulf's lead.

On Feb. 2 the U.S.S.R. joined the fray, offering cargoes of Soviet crude to France and Italy at about $28.25 a barrel, a $2.00 discount, for the first time making the Soviets a marked force in European oil markets.

OPEC paralyzed

Meanwhile the OPEC nations continue to be deadlocked on what course of action to take, since all agreements on pricing and production limits have gone out the window. Amid a flurry of consultations between Saudi Oil Minister Ahmed Zaki Yamani and other producers, there was not even a sign of a new meeting as of Feb. 5. Even the OPEC Committee on Market Monitoring, which was scheduled to meet Feb. 10 to work out a strategy in the face of falling prices, has been cancelled, and a Feb. 9 "informal" meeting of OPEC called by Venezuela is now in doubt.

Most oil industry sources concur that Saudi Arabia would not object to seeing the OPEC benchmark price, which is pegged to Saudi Arabian oil, sink to $30 a barrel, if it would revitalize demand. But Saudi Arabia, for security reasons, is not about to be the first OPEC exporter to make the official announcement. Neighboring Iran, which is preparing a new military offensive against Saudi ally Iraq, has issued a stern warning Feb. 1 to Riyadh not to lower its price.

Yamani cautioned during the last day of the OPEC meeting that Britain would soon lower its price, but this has not occurred. BNOC says it is waiting for companies that buy North Sea crude to exercise a contract option, requesting lower prices, which became effective Feb. 1. So far only Gulf Oil has made such a request.

The question now remains which oil-exporting nations will be the first to break the OPEC price by lowering contract prices. Both European and American financial press concur that Nigeria will be forced to make the move, even though it could jeopardize the political stability of the Shagari government.

A deal announced Feb. 3 between Gulf Oil and Kuwait, whereby Gulf sold a slice of its refining and marketing apparatus in the Benelux countries for 4 million barrels a day, was another jolt pushing the price down. The 4 million barrels was sold at $28.50 a barrel.

The oil markets have now reached a pricing level which would dictate that OPEC come down to $30 a barrel in the short-term in order to move in line with the world markets. In short, the oil industry both East and West has given OPEC a *diktat*. Now it is only a matter of time until OPEC will have to drop its price either multilaterally or unilaterally. Otherwise the cartel will find itself with dwindling markets. Whether OPEC accedes to a price drop now or waits, the London-centered financial oligarchy has decided that for the time being its oil revenues must be reduced.

The financial stakes in the drive to push down oil prices

by Renée Sigerson and Kathy Burdman

Any forecast suggesting that the current downturn of world oil prices will serve to encourage a world economic recovery is patently incompetent, if not a deliberate fraud. Prior to 1982, a downturn of world oil prices, in conjunction with other, indispensable political policies might have helped prevent world depression. The final cutoff point for such a simple connection was the global debt crisis of 1982.

When the British National Oil Corporation (and the British crown behind it) announced during OPEC's mid-January meeting that the oil price must fall below $34 a barrel, they did so for the purpose of putting an end to the current world monetary system, and triggering the creation in its place of Britain's planned "new Bretton Woods." The plan is, by breaking OPEC, Mexico, and other oil producers, to totally break the political power of the Third World going into the March Non-Aligned Nations Conference, and to "shock" the West into re-chartering the International Monetary Fund as a new world central bank.

Regarding the Third World nations, the purpose of the oil-price collapse is to show their powerlessness and dependence on the creditors' cartel of British and U.S. banks which runs the world banking system, a Morgan Guaranty source said this week. "The first oil shock showed Mexico that they must depend on the banks," he said. "The second shock will force them to even greater dependence on the International Monetary Fund." Mexico, which stands to lose some $600 million for each dollar drop in the oil price, will be forced to renegotiate its IMF loan to give the IMF greater power, State Department sources said.

The Third World is to go into the Non-Aligned meeting a mass of squabbling bankrupts, with oil consumers, such as Brazil, and oil producers at each others' throats, unable to cooperate to form a "debtors' cartel" which could confront this creditors' cartel. Indeed, the very collapse of OPEC is meant to show that no Third World cartel can succeed against the powerful banks and the IMF.

Regarding the United States and other industrial nations, not only is the oil price drop of little benefit, since energy demand is already so low, but the shock is meant to force them to also agree to a re-chartering of the IMF as a "world central bank" which would have dictatorial powers over the North as well. "The effect of the second oil shock," said the Morgan official, "is to prove to all of the Third World, and to the United States alike, that the world has been and will be subjected to too many shocks to go on any longer without stronger international institutions."

The oil price drops and other financial and economic shocks will continue, he said, until the U.S. Congress and Third World alike are ready to re-write the IMF charter to give it dictatorial power over the world economy. "There must be a total re-think of the role of the IMF, including expansion of its charter."

Draining the credit pool

The high price of oil since 1973 has been a perverse tax on the world economy. Detracting from immediate investment and consumption, high oil prices have created a pool of "forced savings" which have been "recycled" back into massive lending to the Third World.

Not only much of the $700 billion in Third World and East European debts, but also some $100-200 billion in U.S., European, and other governments debts and stock markets alike are supported by the OPEC pool. The total amassed OPEC surplus since 1973 exceeds $400 billion.

The oil-producing countries never unilaterally "controlled" their oil revenues. More than 50 percent of what they earned on sale of their oil was "recycled" back into the international banking system, forming the largest single pool of liquid deposits on the $1.8 trillion Euromarkets.

Well over $1 trillion in world debt is directly supported by this mainstay. This includes not merely the $700 billion in debt owed by developing countries to international banks, but, additionally, hundreds of billions of dollars in debt issued by Western governments, foremost among them, the United States.

This system of "recycling," whereby oil producer deposits were reissued as credits by international banks, has been for the last decade the primary source of financing for international trade. How this worked in its entirety is usefully illustrated by a brief comparison of the present world oil market with 1978, the only other year before now when the oil-producer surplus was near zero. The comparison pinpoints more precisely why the current oil price downturn serves as a trigger for a breakup of the world monetary system.

In 1978, the OPEC surplus was only $5 billion, in contrast to its $45 billion average for the previous three years, and its 1980 high-point of $115 billion. The 1978 absorption of the surplus had two causes. Noticeable conservation measures in oil-consuming countries had lowered demand for oil. At the same time the oil-producers were heavily increasing imports of capital goods for domestic economic development programs. These capital goods imports benefited export industries in the United States and throughout Western Europe. Simultaneously, the payments surplus in the advanced sector was partly used to finance debt as well as capital goods exports from the advanced sector into the developing countries.

Thus, in 1978, the tailspin of the world economy into depression was still not yet an "irreversible" process.

Leading British financial sources have argued publicly (privately, they admit the argument to be ridiculous), that something similar to 1978 will happen again. The lowering of oil prices, the *Financial Times* printed this month, will produce a 1.5 percent rise in Gross National Product in major consuming nations, having a "stimulatory" effect on world economic activity.

Whether the effects of an oil-price decline are evaluated globally or on a country-by-country basis, there is not a single part of the world economy where the current oil price decline will have a "stimulatory" effect.

In 1982, OPEC as a whole suffered a price and markets collapse which lead to a roughly zero-balance in its current account for the first time in a decade (see **Figures 1** and **2**). Now, the British banks, Morgan, and the IMF say that the oil price will have to collapse far enough to totally destabilize these markets.

The British plan is supposed to proceed in phased "shocks," as a Bank of England official also told *EIR* this month. The first shock, the lowering of the effective take-in price of OPEC by 12 percent from $34 to $30 a barrel, has already taken place on the spot markets and is expected to be forced upon producers themselves by the first quarter of this year. Assuming an OPEC production for export rate of about 14.5 million barrels a day holds, this alone would create an OPEC deficit this year of $40 billion.

The Arab states could either cut their huge development budgets and foreign aid by this amount (at the risk of political upheaval!) or liquidate some investments. But if they do not pull enough credit out of the world banking system and government debt markets to "shock" the United States into agreeing to a new Bretton Woods system, the British will proceed.

Under Phase I and Phase II of the scheme, the oil price will fall further until Saudi Arabia and the richest Arab governments themselves are forced into major liquidations of their U.S. Treasury, European, and other Western government debt holdings, causing market panics throughout the world. At a $25 per barrel oil price, the OPEC deficit would reach $73 billion in 1983, and the Saudi deficit alone would be $22 billion.

In the midst of such scenarios, it must be emphasized that there is no reason to believe a controlled price ratchet would actually occur. There is a high likelihood of an uncontrolled price collapse fueled by cutthroat marketing efforts.

The financial planners who are reckoning on the basis of a controlled price decline have acknowledged that possibility. James Lee, Chairman of Gulf Oil, said on Feb. 1 that the "real fear" is that OPEC will not impose production limits to reduce excess supply which might lead to a "downward price spiral" of more than $4 a barrel. In Japan, Secretary of State George Shultz cautioned that oil traders and multinational oil companies might begin dumping oil stocks onto the spot market at a rate that could unleash an uncontrolled downturn in prices.

The liquidation potential

It is at the point that the price reached $25 per barrel that the OPEC nations would be unable to finance the resultant deficits simply by reducing imports, and cutting back devel-

Figure 1

OPEC total

	1981	1982 (est.)	1983 Current	Phase I	Phase II
Oil production (mbd)	22.5	18.5	16.5	16	16
Oil exports (mbd)	20.5	16.5	14.5	14	14
Oil price (average dollars per barrel)	$ 34	$ 33.5	$ 30	$ 28	$ 25
Oil revenues (billions of dollars)	$255	$200	$160	$143	$127
Other exports*	$ 30	$ 30	$ 30	$ 30	$ 30
Interest income*	$ 17	$ 15	$ 15	$ 15	$ 15
Imports	$234	$245	$245	$245	$245
Current account* (billions of dollars)	+$68	0	−$40	−$57	−$73

*Assumes imports, investment income, and non-oil exports all hold steady. The deficit can be made up by cutting imports or by liquidating investments abroad.

Figure 2
Saudi Arabia

	1981	1982 (est.)	1983 Current	Phase I	Phase II
Oil exports (mbd)........	9.5	5.5	4.5	4.5	4.5
Oil price (average dollars per barrel)	$ 34	$ 33.5	$ 30	$ 28	$ 25
Oil revenues (billions of dollars)....	$118	$ 68	$ 49	$ 46	$ 41
Other revenues and imports	Held steady at 1982 levels				
Current account* (billions of dollars)....	+$43	+$5	−$14	−$17	−$22

*Assumes imports, investment income, and non-oil exports all hold steady. The deficit can be made up by cutting imports or by liquidating investments abroad.

If the oil price collapses to $25 a barrel, both Saudi Arabia and OPEC as a whole will go into major deficits, assuming they refuse to cut their imports, development programs, and military aid. Most observers estimate that Saudi Arabia cannot keep its production levels below 4.5 mbd for any extensive period, or it will lose the associated gas which it needs for its domestic economy. On similar lines, OPEC production as a whole is highly unlikely to fall below 15 mbd.
In this case, once the oil price falls below $25 a barrel, Saudi Arabian oil revenues will drop by $22 billion, causing a current account deficit of some $24 billion. OPEC as a whole similarly will lose $66 billion in oil revenues, or a $66 billion deficit—assuming they do not cut their imports or aid to other Third World countries from 1982 levels. That is, the losses in oil revenues will have to be made up either by import and development cuts, or liquidation of overseas investments.

opment programs. At $25, the OPEC nations would have to begin to liquidate some portion of their more than $300 billion in outstanding, previously deployed funds in the world financial system.

The consequences of OPEC undertaking such liquidations of financial investments in the world financial system are the following:

1) A crisis in the United States' ability to finance its $300 billion 1983 deficit.

As shown by the statistics in **Figure 4**, such a crisis in financing the U.S. deficit is already in the making, even without oil-country liquidations of U.S. Treasury holdings. Nevertheless, the implications for all international investors of Saudi Arabia liquidating its holdings of U.S.

Figure 3
OPEC deployment of foreign assets
(Total outstanding estimated foreign assets: $410 billion)

OPEC investment into:	1980	1981	1982 I	1982 II	1982 III
Britain:					
Government debt..................	1.9	1.0	0.1	0.2	−0.3
Eurocurrency bank deposits	14.9	7.9	−0.9	−5.5	+1.3
Total*..............................	17.6	9.0	−0.5	−5.1	+1.0
United States					
Government debt..................	9.6	10.3	3.4	1.2	2.5
Bank deposits.....................	−1.1	−2.1	1.5	5.2	−1.0
Total*..............................	14.1	16.1	5.2	7.2	1.6
Europe, Japan					
Bank deposits.....................	26.2	−2.6	−2.0	−5.9	n.a.
Stocks, bonds.....................	17.0	21.7	1.0	1.4	n.a.
Total*..............................	43.2	19.1	−1.0	−4.5	n.a.
Total identified cash deployed	86.5	53.9	5.5	−1.9	n.a.
Total current-account surplus	113.0	65.0	9.0	−1.0	n.a.

*Totals do not add because not all components are given.

Treasury debt cannot be underestimated. Of the $146 billion in U.S. government debt held by foreigners, $70 billion of that is held by Saudi Arabia. During 1981, although the Saudi surplus was already dwindling to zero, Saudi Arabia preferred to draw down its holdings of all other OECD country debt, while it increased its purchases of U.S. government debt (see **Figure 3**). Saudi investments in U.S. Treasuries are the leading edge for all foreign investments in this area.

Informed banking sources estimate that the Saudis will liquidate their holdings of U.S. Treasury paper by $10 billion this year—a net reversal of $20 billion compared to 1981. There is no other major foreign source to replace this funding. As documented in the profile here, moreover, exceptional sources of U.S. internal financing of the deficit which were geared up during 1982 cannot be extended at the same, unprecedented level during 1983. Taking these combined factors into account, the United States will be short $104 billion—a sum equal to the debt of Brazil or Mexico—in financing during 1983.

2) Withdrawals of funds from the world banking system. As shown in **Figure 3,** such withdrawals were already under way in Europe and Japan during 1982. Naive economists assert that when the OPEC producers liquidate bank deposits in one section of the system, to finance imports, these funds "reappear" in the banking system in the form of import financing. "If an oil producer withdraws $1 million from Chase in London," one New York bank economist asserted, "and redeposits it in Germany to pay for imports, Chase-London can always pay the German bank to borrow those funds back." Such arguments assume the world economy still looks like it did in 1978.

During 1982, world trade declined by approximately 15 percent, hitting major exporting countries such as Japan and Germany with export declines from 2 to 10 percent during the year. Privately, a leading oil company executive reported to a select meeting of Wall Street investors on Jan. 3 that "for every dollar West Germany will now save on reduced oil payments, it will *lose $2 in export orders.*"

It is entirely reasonable to assume that Saudi Arabia or another major oil producer will liquidate short-term deposits to finance imports in coming months; however, it is virtually certain that this would occur sometime *after* import programs overall will have been cut back. For this not to be the case would mean that Saudi Arabia et al. would have to be prepared to withdraw many tens of billions of dollars from the banking system within a short period of time, to maintain constant import levels. Were this latter—highly unlikely—development to occur, the world banking system would break apart, virtually overnight, and the mechanisms for financing world trade would have been eliminated in any case.

3) Leading developing countries will be seriously hit.

Mexico, Indonesia and Venezeula are the major Third World oil producers whose debt problems are immediately worsened by the decline in oil prices. For every $1 decline in the price of oil, Mexico faces a $600 million decline in its export receipts. The $28 price of the coming weeks means a $4 billion rise in Mexico's already unfinanceable deficit.

In 1982, Indonesia's oil revenues were $11 billion; in 1983, they will decline to, at least $7.7 billion. However, it is not just the oil-producing countries in the Third World which are affected by the oil-price decline.

In the second half of 1982, commercial bank loans to the developing sector fell 50 percent compared to 1981. A draw-

Figure 4
Sources and uses of Treasury funds

	3RD Quarter 1982*	1983 (est.)
Borrowing	$288.7 bn.	$325 bn.**
Funding Sources		
Private non-financial	$146.3	$140
Federal Reserve	35.4	20
State and local government	36.7	15
Commercial banks	10.9	20
Households	34.8	35
Foreign	8.0	12
Corporations	7.0	3
Borrowing gap	$ 0.0	$104.3

*Latest complete data from Federal Reserve Flow of Funds tables.

**$325 billion includes $69 billion of "indirect," i.e., sponsored or guaranteed agency borrowing, continuing the rate for the third quarter; this is probably an underestimate, since total indirect borrowing in fiscal year 1982 was above $80 billion. It also assumes that the administration's $224 billion deficit projection is too low, given the 3 percent GNP growth assumption; for purposes of calculation, it assumes that GNP will not grow, and applies the Congressional Budget Office formula that each point of GNP growth equals $10 billion in federal revenues.

Under reasonable assumptions, the federal government of the United States will be unable to find the resources to finance $104 billion of its total requirements during the present calendar year. As the above table shows, the majority of the $288.7 billion per year deficit registered during the third quarter was financed through traditional savings sources, i.e., financial corporations and households; the projection for 1983 assumes that these remain stable. However, special factors were present to make funds available that cannot continue. First, the Federal Reserve bought government securities at a staggering $35 billion annual rate, bringing on the now notorious "money supply explosion"; this cannot possibly continue, as Fed Chairman Volcker insisted in recent congressional testimony; even the $20 billion figure for Fed purchases of government securities in the projection would represent an all-time record. The shift in the Saudi surplus to deficit implies a $20 billion net swing away from foreign purchases of U.S. Treasury securities, as shown. The enormous purchases by state and local governments reflects short-term arbitrage factors which market analysts agree cannot possibly continue. The added deficit plus reduced special factors bring the "borrowing gap" up to $104 billion, implying a fiscal catastrophe for the United States this year.

down of OPEC deposits in the world banking system encourages continuation of that reduction at an accelerating pace. Additionally, if OPEC must borrow $10-$30 billion in 1983 from international banks, this will withdraw funds available to the developing countries. Most European countries have already become heavy borrowers on the private international markets due to their serious internal deficits, and are already taking such funding sources away from the Third World.

The shrinkage of the world economy

As the 1982 decline in world trade forewarned, the world economy is shrinking—despite the fact that the real development needs of nations for expanding production of capital goods and manufactures have never been greater.

The collapse of world trade helped pave the way for the City of London to trigger the oil price decline in January. Constant British efforts to rig the price downward over the last two years had been successfully thwarted by Saudi Arabia. It became impossible for Saudi Arabia to hold the cartel together behind a constant price at the point that the demand for OPEC oil began collapsing precipitously.

The depression-induced scaling down of world economic activity has cut into world energy and oil production. During 1982, U.S. consumption of energy fell 10.8 percent compared to 1981. The United States is importing half the petroleum it imported in 1979. West German imports of crude oil fell 9.1 percent last year; Japanese imports fell 10.4 percent.

When economies go into depression, they lose, at rapidly accelerating rates, their ability to absorb energy. Thus, even though the price of oil is declining, consumption of energy sources will continue to decline during 1983 because there will be less economic activity. In eliminating the OPEC surplus, the City of London has successfully undertaken to cut the world banking system "down to the size" defined by the world depression. Rather than being "recycled," the displaced funds previously identifiable as the OPEC surplus are now being "vacuumed" up by the world's debt.

A dramatic shift in world oil trade

by William Engdahl

The backdrop to the unfolding drama of future world petroleum prices is a profound if little-discussed strategic shift over the 1979-82 period in global oil power. The best way to dramatize the situation in which Saudi Arabia has retreated and Britain, the Soviet Union, and Mexico have emerged as power brokers is to examine the following facts:

- Total world production of crude oil has plummeted from an average of almost 63 million barrels per day (bpd) in 1979, the year Iran's 5 million barrels a day were forced out of the picture and Federal Reserve Chairman Paul Volcker began his usury policy against industrial production. World output averaged 53 million bpd in 1982. This is more than a 15 percent market shrinkage, or almost 10 million barrels daily.
- Total U.S. demand for petroleum for the same 1979-82 period shrank some 4 million bpd from 18.9 million to 14.8 million at the end of 1982. This is almost a 22 percent decline in consumption. The United States is the world's biggest single market.
- U.S. imports of crude and petroleum products for the 1979-82 period have been halved from 8.6 million bpd in December 1979 to 4.4 million bpd in December 1982. This means a drop of 4.2 million barrels daily in consumption of imports.

Now, in this context of overall shrinkage of world oil consumption, a much less noticed structural shift in trade flows of world oil has occurred. Within its greatly reduced import regime, the United States has lowered its imports of Saudi Arabian oil, in fact of *all* Arab OPEC oil, since 1979. As recently as 1981, Saudi Arabia was the largest single supplier to the United States, with 1.1 million bpd. By September 1982, this had dwindled to less than half that volume, 546,000 bpd, and by the end of last year, Mexico and Nigeria had both surpassed the once-influential Saudis as the number-one and number-two suppliers, respectively, to the U.S. market. Mexico today is officially sending 852,000 barrels of crude north to the United States each day, double the volume of a year earlier. With a sizeable chunk of those imports soon due to be dumped into the salt domes of the U.S. Strategic Petroleum Reserve, this means that Mexico has become dependent on the United States, a dependence linked to attempts by Armand Hammer and others to grab ultimate control of the most precious oil reserves in the known world outside of Saudi Arabia.

Currently, of the top seven suppliers to the United States, Saudi Arabia, the number-three supplier, is the only Arab OPEC member. This shift is coherent with the British "New Yalta" plan of pushing the United States out of the strategic Middle East. In fact, at present, the United States imports approximately the same amount from Great Britain as from Saudi Arabia.

The Soviet role

With the shrinkage of total Saudi production in only the past 13 months from slightly over 10 million bpd to an estimated 4.2 million bpd at present, the role of Soviet oil in the world market has for the first time become substantial. Moscow has moved dramatically in the past year to maximize its influence in the world oil market. It was unprecedented when on Feb. 1 Moscow announced that it was cutting the posted price of its Urals blend by $2.15 down to $28.50 a barrel; London had been hoping for this move, so that the onus for breaking the price structure would not fall on the British.

More important is the fact that for almost the last year, Soviet crude has been flooding depressed European spot markets, worsening over-supply conditions and helping prepare the stage for the present price manipulation.

In the first six months of 1982 alone, Soviet exports of crude to the OECD countries soared by 36.6 percent over the previous year. Although exact figures are not available from any government agency East or West, highly reliable industry estimates are that the Soviets have been quietly unloading 500,000 barrels or more daily into Western Europe in particular, most of it through the London futures market.

If this is accurate, it means that total Soviet crude exports to the West, the U.S.S.R.'s major source of hard-currency earnings, are now at the substantial level of 2.5 million bpd. Total Soviet crude production is running at about 12.3 million bpd, making the U.S.S.R. far and away the world's largest single producer, now that the Saudis have fallen to 4 million bpd.

Also interesting, given the enormous efforts under way by the Andropov regime to turn West Germany into a satellite of the Warsaw Pact, is the dramatic increase in Soviet exports to West Germany. Over the past year, Germany increased its Soviet oil dependence by 129 percent, to 188,000 barrels daily, much of this with a new contract signed by the Anglo-German Veba company.

Although Saudi Arabia is still West Germany's largest supplier, the Soviets moved from eleventh place to sixth last year, with 5 percent of their crude imports from the U.S.S.R. Significant both economically and politically is the fact that 20 percent of all German natural gas last year came from the Soviets, before a molecule of the controversial gas pipeline is yet on line.

Italy increased its Soviet imports 45 percent to 165,000 bpd, while the Dutch increased 100 percent to 240,000 bpd.

By moving to drop prices in the present period, Mr. Andropov is presumably attempting to guarantee that the U.S.S.R. will retain its share of this extremely important Western European market.

Worth noting is the fact that Moscow has largely increased its OECD exports of crude by cutting back on supplies to its Eastern European Warsaw Pact allies. The difference has been largely made up by a series of Byzantine secret barter deals between various Eastern European countries and certain OPEC members. *EIR* has highly reliable information that since Washington imposed its blockade on Libyan oil imports, up to 300,000 barrels a day have gone from Libya into Eastern Europe, reportedly in barter for large shipments of weapons. Libya and Iran are thought to be the two largest suppliers at present to Eastern Europe. But reports have been heard that even the arch-conservative Saudis are making certain secret third-party deals by way of Swiss cutouts to sell spot to Eastern Europe.

All in all, perhaps the most profound strategic shift of the power relations of oil since World War II is well under way. This is the framework in which to understand why Moscow was a "pacesetter" this month.

Mexico: will Pemex be sold to multis?

by Timothy Rush

Antonio Sacristán Colas, the respected outgoing president of one of Mexico's best-known think tanks, CIDE, was asked by the press at the beginning of February what would be the political and social cost of the International Monetary Fund measures now ruling the country. His answer: "The destruction of the Mexican political system and the limitation of national sovereignty."

The crisis that brought the IMF into the country was touched off in the summer of 1981, when the oil multinationals exploited the saturation of markets to tell Mexico it had to lower prices or face a cutoff of contracts. The new slide of oil prices will accelerate the process of disintegration Sacristán so succinctly identified (see Dateline Mexico). Few analysts doubt that there could be serious unrest by the second quarter of 1983, unless the IMF is thrown out.

Mexico currently sells its light Isthmus-grade oil at $32.50 a barrel, and its heavy offshore Maya crude at $25.00. The sales mix is slightly over 50-50, weighted on the side of the Maya, for an average price of $28.50. Mexico is exporting 1.7 mbd (of a total production of 2.7 mbd). At these rates, its oil income for the year would top $16 billion.

Each $1 a barrel drop in price means some $600 million revenue loss. A slide of $4 a barrel on the international markets would mean a loss of $2.4 billion; a slide of up to $10 dollars, as advocated by the British, would wipe out an even $6 billion.

Even before the new oil price slide, Mexico's 1983 "foreign-exchange budget," permitted only $11 billion for imports, after interest payments were deducted. That is fully *$6 billion under minimum import requirements* as established in another official study of the same ministry.

With the new declines in oil revenues in the offing, either this grotesquely low level of imports is slashed even further, in an economy whose industry in disproportionately import-dependent, or the debt burden is slashed—and the IMF accords go out the window.

The IMF forces are exploiting the crisis for a further power and resource grab, which will hasten internal upheaval. The consequence of the oil decline may be "a greater role for the IMF in the Mexican economy," declared a State Department official working with Secretary Shultz's "debt watch" team in the Bureau of Economic Affairs. "This would be just fine with the international banks. The bigger the role for the IMF, the better, as far as they are concerned."

The *Economist* of London said in its lead editorial Jan. 29 that "the IMF should . . . lend Mexico more money, under the same strict terms as before. If present international rules make it impossible for the IMF to lend any more money, then those rules should be quickly changed, through an emergency fund." That is, get IMF hooks deeper into Mexico, and at the same time use a renewed Mexican financing crisis to hurry up the U.S. bailout of the IMF.

The other goal of the IMF forces is to pry Pemex, the Mexican state oil company, loose from effective government control—where it could always be harnessed once again to national development needs—and turn it into simply a debt-paying machine, functioning as just another multinational. The Billygate-tainted Charter Oil Company of Florida revealed in December that it was attempting to negotiate a special deal whereby it and three other multis would assume a portion of Mexico's debt obligations, in return for a 10-year supply of oil at below-market prices.

Armand Hammer, who sits on the board of one of Charter's subsidiaries, is making his own move, too. He is offering Mexico up to $1.3 billion investment in his newly acquired (and bankrupt) Cities Service firm, to give Mexico a refining and distribution base inside the United States.

Return of the multis?

Another kind of pressure exists. Mexico is currently lifting at, or close to, its capacity. It would take a number of years and hefty new investments to raise that amount, under Pemex's present monopoly position. For a year State Department circles have been mooting that Mexico might be forced to invite the multis, kicked out in 1938, back in, to at least augment Pemex production and allow Mexico to make up price declines with volume increases.

Voices in Mexico are beginning to break the taboo on discussing such ideas in public. A commentary in *El Heraldo,* a Henry Kissinger-linked daily, expressed the view Jan. 30 that "we could obtain many dollars [for debt payment] if we were to extract sufficient oil. The problem is that we, with our own means, cannot produce more than 3.0 mbd. The obstacle can be overcome by inviting the oil multis in to extract, with their own equipment, sufficient oil for them to pay off our creditors. . . ."

Former oil director Jorge Díaz Serrano, who let on that his "pro-growth" image was a sham with a fervent endorsement of the Club of Rome in mid-January, told the press a week later that the Charter Oil offer was a legitimate one that "should be analyzed . . . with others that the Mexican government is constantly receiving."

For the vast bulk of the population, however, the national oil monopoly remains a sacred political symbol and trust. Tampering with it, under whatever guise, hastens Mexico's internal dissolution.

Venezuela: 'missing piece' in the plan

by Christian Curtis

"Venezuela is very much the missing piece of the puzzle," a European banking representative in New York commented recently, referring to the fact that of Ibero-America's four largest debtors, only Venezuela had not yet signed with the International Monetary Fund. The oil price collapse is designed to "break" Venezuela, to force it to succumb to the Fund and auction off its oil to pay its ballooning debts.

The dollar-figure impact of the price drop will be bad enough: Venezuela's federal budget, which depends on oil for 75 percent of its revenues, is premised on $16 billion in oil earnings, a 1.6 million barrel per day export rate at an average price of $27.50 a barrel. A $3 a barrel drop in price would cost $1.7 billion, and that does not take into account a likely drop in the volume of exports as well. If exports also drop to 1.4 million bpd—and export volume for January of this year is already below that—Venezuela will wind up with only $12.5 billion in earnings. That is $3.5 billion short of the government's projection and a jolting $5.5 billion less than what the country pulled in during 1981.

However, totally rewriting the budget is a minor problem. The real trouble is the timing. Venezuela has been hit mid-stride while trying to complete sensitive negotiations on the refinancing of some $8.7 billion in short-term debt due this year—$3.5 billion of it by the end of March. And the banks are using every opportunity to justify turning down what should technically be one of the soundest credit risks in the world. The busting of OPEC is merely the *coup de grace* of a several-month process to force Venezuela to buckle, and, just like Mexico, Brazil, and Argentina, call at the IMF in Washington, hat in hand.

"We will *impose* an IMF agreement," one financier said. "Politically, they will *accept* an IMF agreement. It's a play of words. They'll come up here and get 60 percent of what they want. Then they'll have to accept an IMF framework. They have no choice."

A tap on the shoulder

As soon as the Mexican debt crisis erupted last August, it became a strategic imperative for the bankers to break Venezuela, as a leading Christian Democrat in Caracas, Hilarión Cardozo, charged in a statement in mid-January. All last fall the country was wracked by capital flight. A study published in the daily *El Universal* said $13 billion fled the country during 1982, but banking sources "off the record" put the figure at closer to $15 billion or even $20 billion. A U.S. West Coast banker in a position to know put the figure at an impressively precise $143 million a day as of Feb. 1—an annual rate of more than $35 billion. Venezuela's foreign exchange reserve dove from $18 billion to under $10 billion last year.

Venezuela's problems were compounded when the international banks started shutting down credit lines last September, leaving Venezuela holding the bag of close to $10 billion in short-term obligations. At that point, central bank chief Leopoldo Díaz Bruzual went after what the IMF and its allies consider the prize of Venezuela, Petróleos de Venezuela, SA, the largest corporation in all of Ibero-America.

Díaz Bruzual decreed that all dollar holdings and earnings of the nationalized state oil company were to be handed over to the central bank. This move violated a national security policy dating from 1976, when the oil industry was taken over from the Seven Sisters, which established a total financial autonomy for Petróleos to ensure that it would never fall into foreign hands. By December, the inevitable was obvious. Petróleos officials announced that because of the country's cash crisis, the company would have to borrow perhaps $1 billion abroad this year. Petróleos itself would now be subject to bank conditionalities.

In January, Finance Minister Arturo Sosa flew to Washington to meet with U.S. Federal Reserve Chairman Paul Volcker. Volcker quietly offered to "help" the New York banks be a little more cooperative in Venezuela's case, provided Caracas agreed to long-term, fixed exclusive oil sale contracts to the United States—the "strategic hemispheric oil reserve" scheme devised by Henry Kissinger's minions at Georgetown Center for Strategic and International Studies. Of course, the scheme depends on a collapse of oil prices and a crisis in OPEC.

Venezuela was already desperate when the Hong Kong affiliate of London's Nordic Bank, Ltd. sued the Venezuelan Development Corporation (CVF)
because of late payments. In January, seven other banks did likewise. But as one New York financier later let out, the suits were merely additional pressure against Venezuela. "A tap on the shoulder, shall we say," he suggested. "It is also a demonstration to the other countries, to show the banks mean business. What is going on is that the banks first want to knock the Venezuelans down, and then start over with those guys."

It won't be easy. As the banks themselves admit, Venezuela can fight back. "There is talk that Venezuela may be the first country to declare a debt moratorium," a Wall Street banker said recently. "It may well be the case." A European financier noted, "Venezuela did create OPEC. Perhaps it will wake up one day and try to lead a cartel of debtors. So the strategy now would be to prevent this leadership."

Nigeria: hanging on to its illusions

by Douglas DeGroot

Because it is so dependent on oil revenue, Nigeria is seen as the weak link in OPEC, and tremendous pressure has been put on Nigeria by the British.

The Nigerian government carried out a massive expulsion of non-Nigerian residents in the brief period of two weeks—from Jan. 17, when the order was announced by the Interior Minister, to the end of the month. British press sources, in their attempt to dramatize the situation, claim that 2 million people have been kicked out, sent back to eight countries in the region surrounding Nigeria.

Several reasons were advanced for the abrupt measure, including smuggling and other criminal activity by the non-Nigerians, participation by some of the foreigners in "Islamic fundamentalist" riots in northern cities, and the fear that foreigners could be used by opposition parties to disrupt the presidential elections this August.

However, the fundamental factor that has led Nigeria to expel these people is the economic crisis. And it is the deteriorating economic situation that has allowed some of them to become grist for various organized-crime mills.

The most heavily populated country in Africa, Nigeria is thought to have over 100 million people, or about one-fourth of the entire continent's population. If Nigeria were to industrialize, overcoming all the problems built into the country by the British during the period of colonial rule, Nigeria could be the catalyst for the development of the rest of the continent.

For this reason, since its independence in 1960, Nigeria has been under attack by the British and their allies, which has included the assassination of three heads of government, and a genocidal civil war. The possible assassination of President Shagari is now being talked about in certain London circles.

The progressive squeeze

By the 1970s Nigeria's economy came to depend almost exclusively on oil production. Since 1981, and the onset of the oil slump due to the economic depression in the developed sector, Nigeria has been targeted.

In 1981, the British lowered the price of their North Sea oil, which is of the same high quality as Nigeria's oil, $5.50 below Nigeria's price, cutting deeply into Nigeria's markets, and putting pressure on Nigeria to abandon the OPEC price structure for cash-flow purposes. At the time of the January OPEC meeting, the British threat to again lower North Sea prices made it impossible for Nigeria and the other African producers to agree to an overall production limit and price differential with the Saudis.

Nigeria was the fifth largest oil producer in OPEC before the current slump; oil exports accounted for 80 percent of federal revenues, and provided 90 percent or more of the country's export income. Before the slump, Nigeria was the second largest foreign oil supplier to the United States. Since then, the British have been taking supply contracts to the United States away from the Nigerians. The biggest lifters in Nigeria, British Petroleum and Royal Dutch Shell, working in partnership, have been reducing the offtake. The third largest lifter, Gulf Oil, has stopped taking oil from Nigeria altogether since Jan. 2.

Nigeria's ambitious five-year development plan was based on a projected oil production of 2 million barrels per day. The plan called for the construction of a steel industry (the Aladja steel plant, which went on line in December 1981, was the first plant to begin production of steel in Nigeria), additional railroads, roads, ports, and other infrastructure. The plan also put priority on development of the petrochemical industry, modernization of the agricultural sector (nearly 70 percent of the population is still rural), and manufacturing and education (the illiteracy rate is still quite high).

The plan was launched in January 1981, the last month oil production was at the projected level. Production collapsed to well below 1 million barrels per day, before it climbed to somewhat above that level again. British sources claim that production is now again down to 800,000 bpd.

Nigeria got itself into its present economic predicament by playing the fiscal-conservative game, hoping at the same time that the lies it was being fed about an economic upturn in the developed sector would become reality.

In order not to break OPEC's price structure, Nigeria began imposing giant spending cuts. In March 1982, imports were totally frozen for a period. The budget for 1982 was cautiously based on projected oil sales of 1.3 bpd. Last November, the 1983 budget was announced, based on a still more conservative expected production of 1 million bpd. That budget sought to cut imports by another 30 percent, and also projected borrowing $4.2 billion abroad for the year. At the time both budgets were introduced, officials announced that an economic upturn was expected during the course of the budget year. Because of its smaller debt relative to some developing-sector nations, Nigerians are still clinging to illusions, hoping that this display of "fiscal responsibility" will make loans available to them.

Nigerian officials were warned what they were in store for two years ago in a special *EIR* report, but the advice was discounted in the hope that the nation would get by.

Indonesia: lower oil income hits economy

by Ramtanu Maitra

The one-third drop in oil revenues Indonesia has suffered in the 1982-83 fiscal year—a $6 billion drop—is forcing the government to make a hard choice between the current living standard of its population and the nation's industrial development.

In the 1982-83 budget, President Suharto made the politically risky decision to cut back government consumer subsidies by 40 percent, from $2.5 billion to $1.5 billion, to sustain a 34 percent increase in the development budget. A further cut in oil income is jeopardizing even the limited 8 percent increase in development funds Suharto had hoped to achieve in the 1983-84 budget.

Unlike the case of Mexico or of Nigeria, the oil crisis does not threaten an immediate crisis of debt payments or political stability. However, the modernization of the country, the maintenance of its population's living standards, and hence the long-run foundation of political stability are being undermined.

During the current fiscal year, income from Indonesia's crude and other oil product exports fell to $12.2 billion from the previous year's $19.1 billion. Liquefied natural gas sales have declined in the current year to an anticipated $3.7 billion.

Indonesia's oil accounts for about 70 percent of its exports presently and about 53.3 percent of total government revenues in the proposed 1983-84 budget. Since April 1982 Indonesia has reduced the price of its oil by $0.20-$1.90 a barrel, depending on the quality of crude. High-equality Minas crude, for example, which accounts for almost 50 percent of Indonesia's crude exports and was priced at $34.53 a barrel as of November, has a select and relatively fixed market. Although there are reports that Minas crude is selling at $33.00 a barrel on the spot market, demand for it remains high.

The Japanese, who buy about 60 percent of all Indonesian crude exports, are pressing for a price reduction. However, the Japanese have emphasized they will honor Jakarta's compliance with an OPEC price cut by maintaining their current purchase commitments. It is generally expected that, given the importance of maintaining good working relations with Indonesia, the Japanese buyers will do their best to maintain the current level of purchases when the annual trade talks between the two nations are held in March.

Cuts in subsidies

Faced with a deteriorating balance of payments, the Indonesian government already introduced an austere budget in fiscal year 1982-83. Subsidies for fuel oil and food were cut from $2.4 billion to $1.5 billion, affecting the entire population. Yet, with long-term planning in mind, President Suharto called for expanding development expenditures by 34.5 percent, whereas routine expenditures were allowed to drop by 6.7 percent.

During 1982, Indonesia's export earnings fell substantially as the world recession pulled down the commodity prices on which Indonesia's non-oil sectors depend. In the second half of the year, complying with OPEC's decision, Indonesia lowered its oil production from 1.6 million barrels per day to 1.3 million bpd, and in November Indonesia cut its oil price.

Presenting the fiscal year 1983-84 budget on Jan. 6, President Suharto, who is compelled by law to prepare a balanced budget, called for removing subsidies from fuel oil altogether and for a further cut in food subsidies. The government, he pointed out, hopes to offset the drop in oil revenue through a 49.9 percent increase in project aid from international sources to $3.6 billion. (The government optimistically estimates oil revenues to be only 2.8 percent less than last year's.) Again, emphasizing the necessity for building up Indonesia as an industrial nation, Suharto called for expanding development expenditure by 7.9 percent.

Foreign exchange reserves add up

During the days of oil boom Indonesia had built up substantial foreign exchange reserves. The country has an official disbursed foreign debt of about $17.0 billion. Private debts add another $5 billion to $6 billion, according to government figures. Official foreign exchange reserves, which declined by $2 billion during 1982, stood at $4 billion in Oct. 1982. State bank foreign exchange holdings held abroad also account for about $4 billion, according to the American embassy's Jakarta report.

Although the estimated oil earnings for fiscal year 1983-84 may seem too optimistic, and the Indonesian currency, the rupiah, is under severe pressure for devaluation, there are several factors which make Indonesia's situation less drastic than that of many other oil producing nations. First, the structure of Indonesia's oil market is dominated by demand for light crudes: Minas light has become almost a necessity in Japan, as Japan's industry has kept modernizing to the disadvantage of heavier crudes. Second, Indonesia's debt is still manageable, with a large portion of it consisting of long-term loans from international agencies or investments with relatively low interest rates.

Mr. Bush, Mr. Shultz, and the gutting of U.S. defense

by Criton Zoakos

Vice President George Bush's current tour of Western Europe has as its principal purpose to obtain an arms control breakthrough with the Soviet Union which might allow the Reagan administration to announce massive defense budget cuts some time in late March or April of this year. Prior to his departure, the Vice President went through a series of briefings focused on the imperative of cutting the U.S. government budget to levels way below those indicated by the President's Budget Message, and even below the cuts which anti-defense congressmen are publicly demanding at this time.

The cutting of the U.S. budget, especially the defense budget, below levels that this nation's national security could tolerate, is now the principal demand of the British, Swiss and Venetian financial oligarchy currently in control of the policies of the International Monetary Fund, the Bank for International Settlements and the World Bank. George Bush and Secretary of State George Shultz are acting directly under orders of these gentlemen, and contrary to the most rudimentary national security interests of the United States.

As Mr. Bush arrived in Europe, the Executive Director of the IMF's Interim Committee, Mr. Geoffrey Howe, addressed the House of Commons in London on the subject of managing the world economy during the present depression. Mr. Howe's and the IMF's official position is that in addition to drasitically increased levels of austerity throughout the Third World, the single most important task of the world economy is to reduce the United States budget deficit—essentially meaning the defense budget deficit.

On the same day, in Davos, Switzerland, at an annual gathering of prominent political and financial leaders under the watchful eye of the ever-present chief of the Bank for International Settlements, Mr. Fritz Leutwiler, a similar consensus was expressed demanding the reduction of the United States budget. The sentiment of the Swiss financiers was best articulated by Herr Helmut Schmidt, the former Chancellor of the Federal Republic of Germany, who appealed to President Reagan to further cut the U.S. budget as a "service to humanity as a whole." Leutwiler himself and the leading central bankers of Western Europe are all known to agree that the American defense budget must be cut way below currently discussed reduction levels.

The hand of Venice

On Tuesday, Feb. 1, three simultaneous press conferences in London, Bonn, and Washington provided the context of policy on arms control within which George Bush will attempt his ill-conceived deal with old acquaintance Yuri V. Andropov. The three simultaneous press conferences were held under the auspices of the Union of Concerned Scientists, a Cambridge, Massachusetts based front for the Council on Foreign Relations and the ESECS (European Security Study) Group of the civilian branch of NATO.

The Washington press conference was presided over by Robert Strange McNamara, the butcher of Vietnam and currently the leading peace activist of the United States. The Bonn press conference was presided over by McGeorge Bundy, National Security Adviser during the Vietnam War. In

London, the "concerned scientists" in question were Field Marshal Lord Carver, Lord Solly Zuckerman (Lord Mountbatten's erstwhile scientific adviser), Lord Flowers, and Lord Gladwyn. The subject of these three press conferences was how to lower NATO defense spending from the current levels of 3 percent per year for Europe and 7 percent per year for the United States down to 2 percent per year, as demanded by the IMF and the Bank for International Settlements.

How such a reduction might be achieved was the subject of a lengthy study by Vice-Admiral John Marshall Lee (a conventional buildup scheme close to what is known as the Bernard Rogers Plan) and its overall political principle was explained in an interview by Robert Strange McNamara, published in the *New York Times* of the following day. The article, titled "No Second Use," called for the United States and NATO to unilaterally renounce the right to retaliate to a nuclear first strike, to subsequently call on the Soviet Union to do likewise, and to then proceed into a massive conventional buildup to ensure "adequate conventional deterrence."

This scheme has a decidedly Venetian flavor, having its origins in the Club of Rome wing of NATO civilian intelligence, a grouping of oligarchical European families organized around the Société Européen du Culture, a known strategic intelligence outfit of old Venetian outlook as well as pedigree. Prince Raimondo Torre e Tasso (or Thurn und Taxis in the German appelation) is an associate of both Lord Zuckerman and the Club of Rome's Alexander King, thus defining the core of strategic gamemasters who dominate the policy-making of the ESECS group on behalf of the NATO civilian oligarchy.

This group's financial power of the IMF, BIS, the World Bank, the central banks of England, Italy, the Federal Republic of Germany, Belgium, Holland, et al., is the power engine of influence which has compelled the Reagan administration to its present course of suicidal economic policy, with main emphasis on budget cutting at all costs. As of the present time, these gentlemen's influence has imposed upon the Reagan administration the irrational policy of judging

A falling out among East and West 'peacenik' allies

Shouldn't Yuri Zhukov, chairman of the Soviet Committee for the Defense of Peace, be pleased? The Movement for European Nuclear Disarmament (END), the continent-wide extension of Bertrand Russell's Campaign for Nuclear Disarmament, is picking up steam under the direction of ex-communist E. P. Thompson. It is preparing to convene its second large conference in May. END supporter Rudi Bahro, an East German citizen said to have "ties in the upper ranks" in East Berlin even though he emigrated as a dissident, has ascended to the leadership of the Green Party in West Germany, which is campaigning to go into a government with the Social Democrats there, a government that would wreak havoc in NATO and dismantle West German industry. Thompson holds that END's appeal for "a European nuclear-free zone" is a top priority for the movement, just as Moscow has revived a plan for denuclearization of a large area in Central Europe.

But Yuri Zhukov is not pleased. In December he dispatched to 1,500 peace activists in West Germany and Britain a denunciation of END and the Bertrand Russell Peace Foundation. Zhukov, *Pravda*'s senior foreign affairs commentator and a participant in Moscow's disarmament campaigns since the late 1940s, accused them of acting so as eventually "to split the anti-war movement . . . and to infiltrate 'cold war' elements into it." Since then, dozens of column inches in the British weekly *New Statesman* have been the arena for civilized mud-slinging between Zhukov and the END.

Zhukov's objections were two: the injection of "ideological struggle" into East-West peace movement discussions and a plan "to bring a so-called 'German question' into discussions at the convention" in May, which is slated to be held in West Berlin. The first refers to "human rights" debates launched by Thompson's people when the visited Hungary last year.

The second gets to something fundamental in European politics, especially since various circles, both socialist and royalist, have been talking in ever louder whispers about schemes for "neutralization," not to say reunification, of the two Germanies. Those who assess Yuri Andropov as a reincarnation of the KGB chief Lavrentii Beria, who would succeed in the takeover Beria failed to accomplish in 1953, recall that Beria was charged for having been prepared to sacrifice East German in a strategic deal with the West, particularly Britain. The memory of that, and today's whispers, are the cause of nervousness in East Germany.

The vitriol against Thompson's END this time came not from East Berlin, but from Moscow, and here it should be noted that the U.S.S.R. makes arrangements with friends in British intelligence, but for its own purposes. Sometimes the word comes back, as from Zhukov to his peace friends—keep off our turf!

this nation's national security needs from the standpoint of the need to cut the budget. Paul Volcker, George Shultz, and George Bush are the principal actors disseminating this policy within the administration. Swiss influences within the administration such as C. Fred Iklé's and others' played a contributing role.

It is these gentlemen's influence which determined that the principal objective of Bush's trip to Europe would be to secretly conclude a hasty arms control deal with the Soviet Union. This deal, if concluded, will occur in the context of an imminent cut in U.S. spending on sophisticated weapons systems development, especially space-based defensive high-energy beam weapons. Moscow cannot fail to notice either this, or the general orgy of defense budget cutting now dominating the U.S. Congress.

No breakthrough will necessarily be announced when the Vice-President returns to Washington. It may be announced some time in March, or at some appropriate point of the congressional calendar at the height of the budget fight. In announcing the arms control deal, the administration may then proceed to triumphantly announce cuts in the defense budget according to Robert McNamara's formula. Moscow, with both its nuclear and conventional powder dry, will rejoice in seeing the United States committing itself to a career of a conventionally-only credible military power, content to deploy its troops for the sole purpose of collecting Third World debt on behalf of the European financial oligarchy.

A chaos scenario for the United States

Senator Alan Cranston's announcement for the Democratic presidential race for 1984 is significant in its implications for the strategic maneuvers of 1983. In his Feb. 2 opening campaign speech, Cranston defined his policy as "ensuring economic recovery by means of an arms control deal with the Soviet Union. . . . The only way to recovery," the Senator from California intoned, "goes through an arms control deal with Moscow." It was intended as a signal to Mr. Andropov while Bush is in Europe.

A second Democratic presidential hopeful, Sen. Gary Hart, representing the Aspen Institute, flanked Cranston's signal with his own statement: "Defense Secretary Weinberger is courting world economic depression with his insistence on high defense spending." As the Democratic National Committee gathered on Feb. 3 for a four-day strategy meeting on how to mobilize the population against the Reagan budget, the signal to Mr. Andropov is clear: We are prepared to orchestrate a riot situation worse than 1968 in order to get the kinds of defense cuts required to persuade you, sir, to join us in a serious arms control deal.

Yuri V. Andropov is watching all this with a quiet smile. His motionless poise reminds one of a royal cobra before it strikes. Is the victim, Vice-President Bush, hypnotized? We shall know when the West German election returns come in on the evening of March 6, 1983. If Hans-Jochen Vogel is the winner, the cobra will have struck.

Indira Gandhi shuffles and tackles problems in

by Paul Zykofsky in New Delhi

In the aftermath of the ruling Congress Party's losses in the two recent state elections, India's Prime Minister Indira Gandhi has begun the most comprehensive political clean-up operation at the national, state, and party levels since she took office three years ago. The first phase started Jan. 25 with the abrupt resignation of one of the government's ministers active in party affairs. This was quickly followed by the appointment of a veteran leader, Kamalapati Tripathi, to run the day-to-day affairs of the Congress Party, and the resignation of the party's five general secretaries. On the same day, all 60 members of the Cabinet submitted letters of resignation to Prime Minister Gandhi.

In the ensuing reshuffle, Mrs. Gandhi forced out some corrupt and inefficient ministers and appointed three new Cabinet ministers and nine ministers of state—who are generally known to be honest and able administrators. Further changes, however, are expected in the days ahead.

In the background of the shake-up, observers here point out, is Prime Minister Gandhi's determination to fight back against the systematic destabilization of her government on the eve of the Non-Aligned Heads of State summit scheduled to take place in New Delhi for March 7-11. The summit—which will bring together over 70 heads of state and of government of developing sector nations—is expected to take concrete initiatives to reverse the present rapid decline of the world economy.

While Mrs. Gandhi has remained silent, her views were conveyed in a letter she wrote to an "admirer," which was mysteriously released to the press on Jan. 27. In it she warned that "there are forces abroad which would like the Indian government to be more pliable. They encourage or mislead certain elements from within the country to take steps which could weaken us."

Only a few days earlier, the New Delhi daily newspaper *Patriot* had published an exclusive report that the government had received "stunning proof" of a plan "to destabilize and balkanize India." The article went on to cite a report prepared by U.S. Ambassador to the United Nations Jeane Kirkpatrick, in which she outlined how India could be destabilized through "a noticeable growth of separatist movements," and that the result would be the destruction of India's "influence in the Third World and elsewhere."

her cabinet, the Congress Party

There have also been some reports that Anglo-American intelligence supported and financed the opponents of the Congress Party in the recent state elections and that they have been providing increased support to the Hindu-chauvinist Rashtriya Swayamsevak Sangh (RSS) organizations.

In another part of the letter to her admirer, Mrs. Gandhi responded to the charge—widely aired in the U.S. and British press—that she had suffered an irreversible defeat in Andhra Pradesh and Karnataka in early January. The Prime Minister stated, "There has been no debacle." She continued: "What I am worried about is not losing or winning elections, but the stability and unity of our country," and concluded that "we now have an opportunity for self-improvement and renewal of our commitment to the people."

It is this last point which appears to be central to the clean-up underway in the government and the party. In fact, while most attention has been focused on the Cabinet changes, seasoned political observers here note that the efforts to get the party organization into shape and to mobilize the popular base are probably of greater significance.

New test of Congress

An early test of the popular response to the government reshuffle will be seen in results of elections on Feb. 5 for New Delhi Municipal Council and the assemblies of the northeastern states of Assam and Meghalaya.

In New Delhi the Congress Party faces powerful rivals in the RSS-linked Bharatiya Janata Party (BJP) which, as a component of the ruling Janata Party, had been in power before the Municipal Corporation was dissolved when the Gandhi government returned to office in 1980. While the Congress is expected to get the votes of the poorer sections of the population—who continue to view Mrs. Gandhi as a champion of their rights—it remains to be seen how the large middle class in this capital city will vote. The opposition parties have made the destabilization of the government the central issue, with the slogan: "Mrs. Gandhi was defeated in the South; now it's Delhi's turn to turn her out."

Assembly elections in Assam and Meghalaya will be less decisive. For the past few years Assam has been in turmoil due to a regionalist "sons of the soil" movement which has been demanding the expulsion of the "aliens"—primarily Muslims who migrated there from Bangladesh over the years. The State Legislature was dissolved more than a year ago and the state has been under central government rule since then. The leaders of the anti-alien agitation in the state, backed by the RSS and BJP, have called for a boycott of the elections, which may lead to a low voter turnout.

The other northeastern state, Meghalaya, is one of India's smallest states, with a population of just over one million (as compared to approximately 50 million in Assam and six million in Delhi).

Revitalization of Congress

However, beyond the immediate period it is clear that the Congress Party will have to be revitalized for the national elections to be held before January 1985. The importance of the Congress Party for the stability of India can be seen in the fact that it is the only party that can claim an across-the-board national composition and base. This command over the Indian political scene is owed to the fact that it is the party that battled for and won India's independence. It claims as its founding fathers many illustrious national figures, including Mahatma Gandhi and India's first prime minister, Jawaharlal Nehru—Indira Gandhi's father.

Further, at the local level over the years the Congress Party has developed a tremendous base of leaders representing different religions and social strata but owing their allegiance to the national leadership and the idea of building a strong nation. Hence, for post-independence India the idea of national stability and unity has been inextricably linked to the strengths and weaknesses of the party that won independence, and that with the exception of the 1977-80 period governed the country.

Throughout the 1950s, the heyday of the nation-building effort in India, Prime Minister Jawaharlal Nehru urged the party and nation to "think big," tackling the numerous regional problems from the standpoint of India's overall tasks. As he explained in one of his numerous educational speeches:

> We have to utilize the experience we have gained, pool our resources and prevent waste. We cannot allow the nation's resources to be wasted. Democracy has many virtues, but one of its concomitants is a wastage of time and energy. Nevertheless, for many reasons we prefer democracy to other methods of government. That does not mean that we cannot avoid waste. . . .
>
> We cannot afford waste because the basic thing is that we should go ahead. The devil is at our heels. I should like you to have this feeling, to hell with the man who cannot walk fast. It serves him right if he gets out of the ranks and falls down. We want no sluggards. We want no slow people who always complain about their service conditions and their transfers and so on. I am fed up with any such complaints, Service conditions and salary and status many be important, but I want work and work and work. I want

> achievement. I want men who are going to fight for what they think is right and do not submit humbly to wrong. I want you to do big things. I want you to build up India. Can you conceive of a bigger thing than to build up this immense country of ours? That is the spirit in which you have to undertake the job. Let the weak and the slow and the lazy go to the wall. There should be no pity for them. If we think in a big way, we tend to become big ourselves, as individuals and as a nation.

The decay of the Congress

This ability to "think big" and communicate a grand notion of building India—once the trademark of the Congress political organization—fell by the wayside in the 1960s and 1970s. Once the struggle for independence was over, and leaders of Nehru's generation passed away, the different factions which have been operating under the Congress umbrella began to break away and form new parties.

The clean-up at the national, state, and local party level reflect Mrs. Gandhi's determination to counter attacks on her government as the March summit of the Non-Aligned approaches. She has returned to the traditional method of party-building, and put state party leaders on notice not to except her to magically collect votes for them at election time. At the grass-roots, there remains an excellent base of party leadership.

This process has accelerated in recent years with the emergence of a political generation which did not participate in the independence movement—which wanted to get things done without building up the traditional constituency-based support on which the party had always been nurtured. Mrs. Gandhi's son, Sanjay, entered politics during the state of emergency rule in the 1975-77 period as the head of this new brand of politicians, and in the process many veteran party leaders were pushed aside.

As this shift took place in the Congress Party, inner-party factionalism became rampant and the party's image was tarnished. The low point was hit in 1977 when the Congress lost national elections for the first time since independence to a coalition of different political parties and groups known as the Janata.

It is in the subsequent 1977-80 period, when the Congress was out of power, that serious damage was done to the political fabric of the country through government support for various types of regionalist, communal (religious), and separatist movements. In the northeast state of Assam, for example, the "sons of the soil" movement, backed by the RSS elements in the central government, paralyzed the working of the state and demanded the expulsion of all non-Assamese. This movement was also fueled by elements of the Anglican church, the strongest missionaries in northeast India, and by religious Hindu and Muslim chauvinist groups.

In 1980 Mrs. Gandhi made a stunning comeback, winning two-thirds majority in the general election despite the predictions of many who thought that her political career was finished. This verdict in her favor was clearly a mandate from the population demanding a halt to the growing regionalist tendencies and to the factional squabbling within the Janata.

In the last three years the party that returned to power primarily due to the strength of Mrs. Gandhi's image and vote-catching abilities has become complacent. The death of Sanjay Gandhi in an airplane accident in June 1980 left the younger, impatient breed of politician without their leader. Since then the older, constituency-based politicians have been gradually brought back into party and government affairs by Mrs. Gandhi. But the January election defeat in the two southern states of Karnataka and Andhra Pradesh, both erstwhile Congress strongholds, have shown the urgency of revitalizing the party and rebuilding its grass-roots support.

Reversing the trend

By appointing a well-known veteran congressman like Tripathi as "working president," Mrs. Gandhi has put a halt to the trend of the 1970s. She has gone back to the traditional method of Congress Party building by strengthening the hand of those who want to work in the old style at the village, town, and city level in getting the principles and ideas of the party to the population.

The first test of this new approach occurred on Jan. 31 with the election of a new chief minister in the industrial state of Maharashtra—where the city of Bombay is located—while the previous ineffective and unpopular chief minister had been appointed by the central party leadership, the selection of his replacement was left to a secret ballot and a veteran and widely respected Congress leader with political support in the state was chosen.

This method will undoubtedly force the state party leaders to build the party apparatus and mobilize the popular support for the government's policies rather than to expect Mrs. Gandhi to magically collect votes at the time of the election. This no doubt will put other chief ministers on notice, and makes clear that the clean-up operations are likely to continue at different levels in the days and months to come.

British spooks out to 'abort' Spanish gov't

by Lyndon H. LaRouche, Jr.

Circles linked to Britain's Brian Jenkins have been detected in the middle of a plot threatening to trigger a new civil war in Spain. A set of operatives inside the governing Socialist Party is enraging the Catholic opposition by ramming through a radical pro-abortion law. Another set of operatives is working to assemble the political mass-base of sympathy for an early coup d'état, by rallying an enraged Catholic population around the single issue of an anti-abortion fight.

The first signs of this British coup-building operation were detected during the past three weeks, through investigation of a massive covert operation targeting all Spanish supporters of the Club of Life. At first, according to well-placed Spanish insiders, this covert operation appeared to be coming entirely from the U.S. Embassy in Madrid, under the direction of U.S. Ambassador Terence Todman. A second operation, parallel to that coming out of the U.S. Embassy, was traced to a well-known Kissinger accomplice, José Maria Armero of Europa Press Agency, distributing a packet of lies against Club of Life founders copied from organized-crime drug-linked circles in the U.S.A.

Since this writer's activities in France and Spain have included efforts to prevent a Kissinger-linked asassination-plot against Morocco's King Hassan, it was first suspected that that issue was the motive for the covert operation. Then, a more massive operation surfaced, leading undercover investigators to discover the British-orchestrated coup-plot.

The structure inside Spain being used for this operation is broadly the same the British used to trigger the 1930s Spanish Civil War's scenario through the assassination of Primo de Rivera. During and since that Civil War, British intelligence has maintained dominance over much of the left wing in that country, through the Fabian Society and the circles around Lord Kaldor at King's College, Cambridge. Recently, British intelligence has surfaced a major right-wing operation also run through the Fabian Society, through the Friedmanite Mont Pelerin Society. It is these Friedmanites who have largely destroyed the healthy industrial development of the 1960s.

Although these are the most recent features of British intelligence penetration of Spain's internal political life, these newer elements are superimposed upon the old structure Britain used to orchestrate the Carlist Wars of the 19th century.

There were two reasons British intelligence and its accomplices surfaced a massive attack on the Club of Life in Spain. In part, the attack was triggered by a public resolution unanimously adopted by the Jan. 22, 1983 meeting of the Club of Life in Madrid. This resolution expressed the Club of Life's current major international campaign-effort, to make the new world economic order proposed by the 1967 *Populorum Progressio* encyclical of Pope Paul VI a reality. This work of the Club of Life is seen as a serious potential danger by powerful financier circles of the City of London, Switzerland, and Venice. At the same time, the work of the Club of Life was seen as a threat to British plans for an early destabilization of Spain.

The main British channel used for the right-wing side of the coup-destabilization plot is contaminated sections of the international right-to-life movement's organizations, such as France's Jerome Lejeune. The tactic of these agents penetrating right-to-life organizations is to limit the activities of these organizations to the single issue of opposing legalized abortions. These infiltrators sabotage all work on the issues of euthanasia and mass-genocide in the developing sector, arguing that it is "divisive" to oppose the Malthusian policies of such organizations as the Club of Rome, IFIAS, the World Wildlife Fund, the Aspen Institute, and the Brandt Commission. Many of these anti-abortionists actually collaborate with the Club of Rome. Such hypocrites more or less dominate the leadership of U.S. right-to-life organizations, which are notorious for this reason among right-to-life leaders throughout the world.

The operation run against the Club of Life among some of Spain's Catholics is centered around the argument that the Club of Life does not accept the single-issue anti-abortion policy, and is therefore a suspiciously divisive organization.

The importance of this single-issue tactic for the British plotters is the fact that one faction of Spain's Socialist Party government, including Prime Minister Felipe González, is linked to the Ibero-American cause, and favors a pro-development policy for Ibero-America and its Spanish partner. Normally, as the new government settles into place, there would be numerous grounds for collaboration on selected major issues between the new government and large portions of the opposition, especially among Catholic circles committed to *Populorum Progressio* and *Laborem Exercens*.

By making radical forms of legalized abortion apparently a Socialist cause, and by rallying the opposition and large sections of the voters around the single issue of the anti-abortion fight, the political environment favorable to an early coup d'état attempt is fostered.

The paw-prints of a British "conflict-management" operation directed investigators' work to Brian Jenkins circles in Britain. The fact that Jenkins's forces are deployed into the middle of this operation in Spain was immediately conclusively confirmed. Although numerous other, auxiliary operations have been detected, including one based in West Germany, the immediate coordination of the overall coup-destabilization operation is Britain.

The war over Ibero-America's debt: independence or recolonization?

by Robyn Quijano

"Joint debt renegotiation" is a weapon that could set a new agenda in which the industrialized nations "will no longer force the developing nations to submit to the abusive policies which the IMF imposes on the poor nations," former Venezuelan President Carlos Andrés Pérez told *EIR* in Madrid in January. He attacked the IMF's "economic totalitarianism." "It is a totalitarianism that kills, not with bayonets, not with cannons, but with hunger."

Not since British warships invaded during the Malvinas war have Ibero-American leaders spoken so clearly on the international bankers' conspiracy to destroy the sovereign nations of the developing sector. The question both warring camps are focusing on now is whether the political will exists to turn the war of words into action. What's at stake has never been clearer.

Agreement prevails in political circles throughout the continent on two issues. All formulas for renegotiation must allow countries to generate wealth to meet their commitments, and to win this basic right, the debtors must unite. These were the conclusions of a Jan. 22 meeting on the debt problem sponsored by the Latin American Economic System (SELA).

Latin America must coordinate its strategy on debt because "the problem is also global to the extent that there is coordination among creditors, at both public and private levels, which in turn call for coordination among the debtors," SELA concluded.

The debt problem "is the most important issue facing the contemporary world," said former Colombian President and diplomatic emissary of the Betancur government Misael Pastrana, commenting on the SELA meeting. "In the short term [the debt] could define the fate of the capitalist system itself," he warned. Ibero-America must form a "debtors club," for "bankruptcy and social disorder" will result if the continent is forced to pay the $40 billion due this year in interest payments alone.

"The moment has come to shake off the yoke of those who are colonizing us with other weapons" by declaring a three- to five-year moratorium on all foreign debt, wrote Miguel Amgel Capriles, owner of one of the largest chains of newspapers and magazines in Venezuela in an editorial on Jan. 25. "If in 1810 the wars of independence were coordinated why not coordinate now? . . . . With grand and sovereign decisions, we would be in a better position to negotiate with our creditors the terms to pay later, and we could be sure that this time the English warships would not come to blockade and bomb our ports to collect the debt as they did in 1903," wrote Capriles.

Front-page banner headlines in *El Mundo* Jan. 28 proclaimed: "U.S. politician agrees with MAC [Capriles] on Latin American Debt Moratorium." *EIR* founder Lyndon LaRouche's latest report, "The Role of a Debtors' Cartel in Bringing Franklin Roosevelt's Anti-Colonialist Policy Into Immediate Actuality" filled the third page. The same article was run complete in the Feb. 1 issue of *Universal,* Venezuela's second largest daily. While LaRouche and his insistence that debt payment must be deferred until capital-intensive development has been launched in the Third World have been blacked out of the major media in the United States, he and the "debt bomb" proposal he put forward last spring are covered each day in the press throughout Ibero-America. A growing circle of Ibero-American leaders have committed themselves to the "debt bomb" idea and to running their own operations to win the war against the recolonization strategy.

On Jan. 27, the official Argentine news service Telam, issued a five-page interview with LaRouche. The Buenos Aires daily *Tiempo* reported LaRouche's call for a debt cartel, and his warning that without it, "The international banks will increase their threats . . . even including political assassination. Only when they see that their threats are ineffectual, will they begin to negotiate for the creation of a more just monetary system." On Feb. 2, *El Espectador* of Bogotá also reported LaRouche's warning of an imminent collapse, and his program for a New World Economic Order.

Operation Juárez and Venezuela

Since LaRouche wrote "Operation Juárez" last August, the document that spells out in great detail the "debt bomb" policy, Venezuela has fallen into the greatest crisis since the British invaded to collect the debt in 1903, and the broad press coverage of LaRouche is meant to provide the tactics and the guts to make sure that the kind of resource grab being planned by the Rockefellers, Armand Hammer, and their European oligarchic allies is thwarted.

Capriles took a poll among political figures inside Venezuela and throughout the continent on the question of joint debt renegotiation. This sparked further debate at a moment when every Venezuelan could recognize that the credit cutoff and massive capital flight which are forcing the nation to submit to the IMF had to be a coordinated operation.

The day after the editorial appeared, Finance Minister Arturo Sosa was hauled before Congress and grilled on whether Venezuela will unite with the rest of the continent to demand joint debt renegotiation. Sosa rejected the idea, arguing that "Venezuela is different." Undersecretary of State for Latin American Affairs Thomas Enders reportedly promised Venezuela a deal if it sticks to the case-by-case approach demanded by the IMF.

The Congress grilled Sosa particularly on what had occurred at a meeting he held in Washington with U.S. Federal Reserve chief Paul Volcker three weeks ago. Word is out that Volcker offered to ease the loan boycott if Venezuela puts up its gold for collateral and links its earnings on oil (whose price is falling) to debt repayment.

In any case, there is enough nationalist sentiment in both major parties that any agreement Sosa makes could be short-lived.

One loan officer detailed the kind of threats the bankers are issuing against Venezuela: "Suppose they declare a debt moratorium? That would immediately shut down their economy, and they would have to answer to their people. There would be shortages of bread and milk and so forth. It would be very unstable. Then you'd have a coup. You can always destabilize these countries. It's very easy. All you have to do is pay a million dollars to some general."

'Debt with dignity'

In Argentina, the internal battle reflects the long war between the political parties; the labor unions who are demanding that an economy be left to inherit after the October elections; and the Friedmanites, who are determined that Argentina will play no role in bucking the IMF dictatorship the country is under.

While debt cartel calls filled the press, Argentine Finance Minister Jorge Wehbe told reporters in Buenos Aires that it is a "fantasy" to think that Argentina would ever join a debt cartel. "The country should confront its debt with dignity," Wehbe said, "and in accordance with its traditions . . . not only for ethical but for practical reasons." Speaking a few days after the IMF granted a $2.6 billion standby package, Wehbe expressed his faith in the complete recovery of the nation's economy in the framework laid down by the IMF.

Wehbe's remarks contrast with those of Foreign Minister Juan Aguirre Lanari, who is preparing to host a meeting of the Group of 77 developing nations in March.

Aguirre told the Buenos Aries daily *La Nacion* on Jan. 31 that the Group of 77 meeting will take place in the midst of an unprecedented world financial crisis, a collapse in world trade and a dramatic fall in raw-materials prices. This crisis "affects our internal political and social stability, and our aspirations for progress and well-being," Aguirre said. It is the task of this meeting to formulate concrete measures that can contribute to reactivate the world economy. Participating nations "should resist the temptation to enclose ourselves within our own frontiers to protect ourselves. We should protect ourselves all together. . . ."

When the Argentine and Brazilian heads of state met and discussed the debt problem in early January, bankers panicked. On Jan. 26, a report was released from Brasilia that President Figueiredo will visit Mexico in April.

Mexican Finance Minister Silva Herzog added to the speculation on Jan. 30 at an airport press conference in Madrid. "Mexico is ready to give all its support to efforts for global refinancing of Latin American debt," he said, according to the Spanish news service EFE. He qualified this by adding that "Mexico will also continue negotiating individually, since this is the best path for Mexico."

Silva had just spent two days in Madrid, where he emphasized Spain's position as a "true friend of Mexico." "Spain, to re-order its economy and move ahead, needs to increase exports, while Mexico needs to import so that its productive process is not held back. In this way the two countries can benefit each other, through their complementary economies," he stated.

Prime Minister Felipe Gonzáles of Spain, who is on record as favoring joint debt renegotiation for Ibero-America (see *EIR*, Feb. 8), may have given Mexico some crucial support. Since one of the major blackmail threats against the advocates of a debtors' cartel is a total shut-off of crucial capital goods and other necessary imports from the advanced sector, allies like Spain could go a long way in providing the courage needed to fight.

The labor factor

The Ibero-American labor movement is meanwhile coordinating a continental battle whose main target is the IMF. At the end-of-January congress of Latin American construction workers' unions in Mexico, a call for a joint debt solution and a common fight against the Fund, proposed by the Brazilian delegation, was passed as official policy, and reprinted in the Mexican Workers' Confederation (CTM) magazine.

An Argentine leader of the CGT trade-union confederation, Juan José Taccone, brought the same message to Europe, where he is touring as an official of the Peronist Justicialista Party. "If the IMF refuses to give us the means to launch our recovery program, then all together we must unite the guarantee the bankruptcy of the IMF, which is already broke." Taccone called for giant development projects and demanded a meeting of the nations of Latin America to establish the basis for joint negotiations.

Misael Pastrana: 'Global debt action'

The following interview was first printed in the Colombian magazine El Siglo *Jan. 24. Misael Pastrana is a former president of Colombia, and currently a close adviser of President Belisario Bentacur.*

Q: You spoke recently in Mexico about the formation of a Latin American debtors' club, taking into account that the debt reaches nearly $320 billion. What follow-up has this proposal had since?

Pastrana: For me this is the most vital issue facing the contemporary world. I believe that it is what in the short term could define relations between rich and poor nations, and . . . could even define the fate of the capitalist system itself.

I posed this issue, and curiously, no political debate around it emerged in the country, not even in the realm of theory. I would use the terms of [French President François] Mitterrand regarding a certain scandal that broke out around the possibility that he spoke of—a moratorium on the debts of French industry. He said: "No, moratoria must be taken in the true dictionary sense; it is not simply non-payment, but rather, seeking out formulas which in reality would permit the debtor to meet his obligations in the long term without sacrificing his position."

Just look at the sitution: The Latin American debt alone is $300 billion, as Gabriel Gutierrez said, and probably more. Mexico, in its renegotiation process, will have to pay in interest alone $1 billion a month. Latin America collectively will have to pay this year, just in interest, some $40 billion, while total foreign-exchange income, at a movement when protectionism in world trade has been unleashed and raw materials have lost their value, stands at just $110 billion. In other words, for interest payments alone, they will be paying a full third of their income.

I ask myself: If Latin America, receiving credit, grew in the last few years by a mere 1 or 1.6 percent, what will happen to Latin America having to pay its foreign debt?

This is a problem which involves not just complying with some commitments, but for me, the very social peace of the continent, and for this reason I believe it is the most important issue of the moment. There is the advantage that, by some paradox, for the first time in many years, perhaps the first time ever, the situation of the world is in the hands of *our* countries, by default (so to speak). As Keynes once said, when a person owes a little he is a debtor, but when he owes a lot he is a banker.

Thus, I believe that this is an opportunity for Latin America, unified in a collective policy, to make an effort not to deny its commitments but to forge a realistic policy in this area. In December, Brazil virtually went into moratoria, because the truth is that Brazil's debt was not $80 billion but $100 billion. I believe that we also are ingenuously talking about our debt because the truth is that, as I said six months ago, it is not $6.5 billion but surpasses ten billion dollars, and today the international institutions affirm that it surpasses $10 billion. Take a look at what this implies at interest rates of 10 percent, which is a low interest rate. That is $1 billion dollars. Think what this means over 10 years, given that there are several billions more in amortization. This is a very serious burden. . . .

And besides, the responsibility is with the creditors. I maintain that it was not Latin America which, in these last five years, indebted itself, but that they [the bankers] indebted it, going from $40 billion to $300 billion. Further, it was submitted to an indexation of interest rates by the creditors; the truth is that one percentage point of interest on the Latin American foreign debt today represents $2 billion. I believe this is the moment for our continent, in a great act of collective responsibility and solidarity, to make a global proposal on a problem of this magnitude. . . .

Q: But, as you yourself said, these acquired commitments cannot be ignored. What is your idea concretely? What can Latin America do to deal with such a delicate situation?

Pastrana: I believe that the process of renotiation individually is creating a sort of illusion of recovery, on the one hand, and on the other, the exhaustion of the very credit sources of other countries. I will explain. Why this flood of foreign debt? Because of the excess income of the OPEC countries which reached $100 billion. They placed this surplus in international banks which, in turn, placed it where they could turn a profit, obviously seeking the most attractive margins, which were not in their own countries, but in the developing countries. Today, these surpluses are drying up, or have dried up. . . . Thus, I maintain that all there is with which to pay is frozen because no new fund of credit has been created to substitute for that credit fund, and he who doesn't refinance quickly will find himself compromised. . . . They have tried to do it with an increase of funds to the International Monetary Fund, but that has been insufficient, to the point where the Treasury Secretary of the United States, Mr. Regan, has proposed the possibility of convoking a new international financiers conference, and a monetary one also, to seek a solution to the situation.

But there lies the Achilles Heel of the entire capitalist system, and there lies the concern of the poor countries. I maintain and reiterate that in interest alone, the payment of $40 billion, in one year, by the poor countries of Latin America, which we are, will lead to a genuine situation of bankruptcy and will increase social disorder."

Carlos Andrés Pérez: 'IMF is totalitarian'

The following is an interview with Carlos Andrés Pérez, former president of Venezuela, a member of the Acción Democratica party, which has ties to the European Social Democratics and a leading Ibero-American political figure. It was conducted in Madrid on Jan. 26 by EIR *correspondents Elisabeth Hellenbroich and Dolia Estévez-Pettingell.*

EIR: The Non-Aligned nations will be meeting in New Delhi in March of this year. We believe that the unpayable Third World debt will be one of the key issues to be discussed. What would you recommend to the Non-Aligned nations in this respect?

Pérez: The Organization of Non-Aligned Nations is of fundamental importance for all developing nations; perhaps it is the most important for our Third Worldist position. My country, Venezuela, is not part of the Organization of Non-Aligned Nations, but our government is now applying to join in time for the New Delhi conference. That means that we Latin American countries are becoming conscious of the meaning which the Organization of Non-Aligned Nations has in our North-South controversy.

The extremely grave debt crisis faced by all the Third World countries, without exception, makes the need for collective defense of Latin American and Third World interests even more dramatic. I think this New Delhi meeting is going to be vital for two reasons.

First, because I am sure that the organization is going to redefine its non-aligned position more precisely, because there is no doubt that the presidency of Comandante Fidel Castro of Cuba will give it the tint of being aligned with the Soviet bloc. It is very important that it goes back to the profile given it by Tito of Yugoslavia.

Also, it is very important because from here, from this meeting, must come forth clear lines of defense from the industrialized countries on the question of debt payments. I am an advocate of seeking a global renegotiation which would give greater power and greater negotiating capacity to the developing countries.

Global renegotiation would also put the industrialized nations face-to-face with an idea which we hold to be fundamental, that of defining a New International Economic Order in which the industrialized nations will no longer unilaterally set for us the terms of exchange, will no longer force the developing nations to submit to the abusive policies which the International Monetary Fund imposes on the poor nations. I call that "economic totalitarianism" by the industrialized nations. It is a totalitarianism which kills not with bayonets, not with cannons, but with hunger.

EIR: Do the Socialist International or governments like Mitterrand's in France and González's in Spain share your views on the role of the foreign debt of the Third World?

Pérez: In relation to the position of European democratic socialism on these questions, I think that we democratic socialists face a challenge. The countries governed by socialist regimes show that socialism is an ideology, a set of principles and a praxis which either tends to struggle for international justice, or which identifies in its nationalisms with the ultraconservative positions of a Mrs. Thatcher or a Mr. Reagan.

This is the challenge facing the nations governed by Olof Palme, François Mitterrand, Felipe González, or Bruno Kreisky. That is to say, socialism has to show its true vitality and its capacity for generating a universal political plan within the bounds of international justice.

EIR: Mr. LaRouche and his wife, the founder the Club of Life, have proposed that the Non-Aligned should pass a resolution which calls for: joint debt renegotiation, New World Economic Order bringing industrialization for the developing sector and international monetary reform. Would you comment?

Pérez: These really are the great aspirations of the Third World countries. These are the points of view which we democratic sectors of Latin America share. We believe that all this is included in what we call the New International Economic Order which has to be, in the first place, new exchange relations which have to also be a situation in which technology transfer is conducted in ways so as to guarantee that it is really in the interest of our nations' development. These points are essential to the creation of the New International Economic Order, and I think they must be dealt with at the New Delhi meeting.

EIR: In your opinion, how can the new government of Spain influence the creation of the New International Economic Order?

Pérez: Felipe González is a man who is fully convinced that the great destiny of Spain lies in its identity with Latin America, and that, in turn, Latin America must understand that this historical link between our nations has to translate itself into a political-economic structure which gives us strength in the context of world decisions and which at the same time gives Spain great bargaining power inside the European Community.

Polish deputy premier calls for joint action on debt with LDCs

Janusz Obodowski, a Deputy Prime Minister of Poland, went on record Dec. 24, 1982 in favor of Poland's forging a "joint policy" on debt with Mexico, Brazil, and other nations. Obodowski made this explosive statement in an interview published by the Spanish magazine *ABC*.

It was the most dramatic revelation yet made by a member of Gen. Wojciech Jaruzelski's government of the fact that Warsaw circles are considering an approach to Poland's debt crisis along the lines of "Operation Juárez," Lyndon LaRouche's outline of joint measures for debtor nations to take to avert an international financial collapse. The *Special Report* in *EIR*'s Feb. 1 issue, entitled "EIR in Poland: Nation's Future Lies in Global Debt Fight," was a first-hand account of how Polish economics and finance officials are looking at the country's internal crisis, the international crisis, and Poland's potential role in finding a constructive solution to both.

Obodowski told the Spanish magazine that Poland's finances had to be viewed "with a comprehensive, overall perspective . . . at the world level. It is the whole world picture which must be assessed and changed."

ABC's Joaquin Navarro-Valls commented on the magnitude of Poland's debt, and the following exchange occurred:

Obodowski: "You need not remind me: I already know. But . . . the Polish foreign debt per capita is below that of other citizens of the world."

ABC: "Are you referring to Mexico, Brazil, and so forth?"

Obodowski: "For instance . . . *I believe that we will have to make a joint policy with these countries. If one of those nations declares itself bankrupt, or is declared bankrupt, it is the whole world financial system which will collapse.* In those problems there is a solidarity which is necessitated by . . . reality and common sense."

ABC: "Can I infer that you are optimistic?"

Obodowski: "You can say that I am realistic. Allow me to make a not very academic but illustrative comparison. When a stocking runs, the tear runs from top to bottom and there is no way to stop it—at least, that's what my wife tells me. . . . If a highly indebted country declares itself bankrupt, the matter does not stop there: a chain diaster occurs. It is the whole system which collapses. . . . It is a problem of the whole and not just of that country. That is why I am realistic. And that is why I see well-founded prospects for a solution. *You will see how everything will be settled by working together: our Polish problem and that of those other countries which you mentioned earlier.*" [emphasis added].

On Jan. 26, Obodowski presided over a meeting of the Council of Ministers' Planning Commission, which he chairs. According to Radio Warsaw, discussion focused on "a further tightening of economic cooperation with the CMEA countries [Eastern Europe and the U.S.S.R.];" Poland is forced to this by the fact that it must pay cash for virtually all imports from the West. But Obodowski's commission also examined how "our trade relations with Third World countries will be activated."

Papal visit set

On Jan. 30, the bishops of the Polish Catholic Church announced that Pope John Paul II's second trip, as Pope, to his native country will begin on June 18, 1983. In May the first national convention of the Patriotic Movement for National Rebirth (PRON) is scheduled to take place. General Jaruzelski is looking to this convention to institutionalize a process of "national reconciliation," and Polish Primate Jozef Cardinal Glemp has given tentative support. According to Jerzy Ozdowski, a non-communist Deputy Prime Minister who spoke at a PRON Provisional National Council meeting on Jan. 7, "The Church follows with kind attention the development of PRON and, if it is an authentic movement realizing the idea of dialogue and agreement, it would actively join in the movement."

The day after the papal visit was announced saw the escalation of an international campaign against Glemp, in a syndicated column by Evans and Novak. They described a tape, "smuggled out of Poland," of a Dec. 7 meeting of Glemp with 300 priests. "The parish priests demand daring confrontation," say Evans and Novak. "They will not achieve it so long as Glemp is their spiritual leader." That is true as far as it goes, for Glemp, like the late Stefan Cardinal Wyszynski, has appealed for the avoidance of confrontation if it be self-destructive.

But the Evans and Novak story went on to boost the thesis of one of the priests, who says on the tape that "the Church's line seems to be divided. The Vatican has one, the Episcopate another," to which Glemp replied, "This is a serious accusation. . . . I cannot talk about my discussions with the Pope here, but I can assure you, nothing is divided."

Since the time of these reported criticisms, John Paul II has elevated Glemp to the rank of Cardinal and decided to go ahead with his visit, so that the repetition of attacks on Glemp may well mean a new threat to John Paul as well. The London *Times* hinted at such a threat in a late-January mood piece about a performance of T. S. Eliot's *Murder in the Cathedral* in a church in Krakow, the city where Pope John Paul II was Cardinal Wojtyla. The *Times* found a special resonance in the play's line: "Won't someone rid me of this troublesome priest," as it was pronounced there.

Carving up Lebanon: Ariel Sharon and Hafez Assad go in for the kill

by Nancy Coker

If Henry Kissinger and his friends in Lebanon and Moscow have their way in the coming weeks, Lebanon, as a nation, will cease to exist.

On a hush-hush visit to Beirut Jan. 27, Israeli Defense Minister Ariel Sharon issued an ultimatum to Lebanese President Amin Gemayel via Gemayel's father Pierre. If Lebanon continues to resist Israel's demand that it cede its sovereignty to Israel, Amin Gemayel will not long survive as President of Lebanon, Sharon warned. Sharon also informed Gemayel that Lebanon had to choose between Israel and the United States, which is backing the Lebanese in their refusal to bow to Israel. Should Lebanon choose the United States, Sharon threatened, Israel would "leave the Christians to their fate." That fate, according to a just-released Israeli Foreign Ministry background policy paper, would be a new cycle of "terrorism and violence."

Sharon had other bombshells to drop. He announced that he was "offering" Syria the right to maintain "listening posts" in Lebanon as part of a mutual agreement whereby Israel too would maintain bases in Lebanon. Sharon's declaration was in open defiance of White House opposition to these listening posts. It was also a complete departure from his earlier contention that Syria must leave Lebanon.

According to Israeli sources, Sharon's announcement meant that a deal had been struck between Israel and Syria to partition Lebanon, an arrangement outlined late last year at a secret meeting in New York between Sharon and Rifaat Assad, the brother of Syrian President Hafez Assad. Syria would acquire the Bekaa Valley in eastern Lebanon, satisfying its long-standing Greater Syria designs, and Israel would annex southern Lebanon—dubbed by many the "North Bank"—and the Golan Heights, taken by Israel from Syria in 1967.

If it is not halted by concerted action from the French government, the White House, and Middle East leaders, the renewed violence and sectarian warfare now going on in Lebanon will lead to massacres on a par with those that occurred seven years ago in Cambodia under Henry Kissinger's and Pol Pot's direction. In addition to their agreement to carve up and annex whole chunks of Lebanese territory, Syria and Israel are also converging on a policy of genocide against Lebanon's—and the region's—Palestinians, in league with Club of Rome agents in Lebanon and Jordan. Early this year, France's *Le Figaro* newspaper warned that an "Armenia 1917 solution" was shaping up for the Palestinians. A Sharon-backed member of a Lebanese fascist group called the Guardians of the Cedars announced in Israel last year that his group would find a new home for Lebanon's 900,000 Palestinians "six feet under the ground."

Breaking the fix

Sharon's announcement of the Syria-Israel partition deal made leading Lebanese politicians, many of whom have been eager collaborators with Sharon up to now, suddenly realize that a fix was in that would spell the end of Lebanon as a country.

In an interview with the Lebanese paper *As-Safir,* Pierre Gemayel reacted violently to Sharon's thuggery. Gemayel called upon Lebanon's feuding Christian and Muslim factions to drop their differences and avoid being pulled under Israel's control by Sharon. The Israelis, charged an enraged Gemayel, "are doing their best to drag us with them. It is not in our interest to divide Lebanon. The Muslims must understand this because they and we will lose Lebanon."

Pierre Gemayel's interview with *As-Safir* was unusual, in that *As-Safir* is a Muslim-owned, leftist newspaper, long at odds with the Gemayel clan. That Gemayel chose *As-Safir* as his mouthpiece indicates the terror that has gripped war-torn Lebanon as it faces what could be imminent dissolution.

Echoing Gemayel, former Lebanese President Camille Chamoun, a long-time British intelligence agent, mafioso, and friend of Sharon, told Lebanon's *L'Orient le Jour* that "Sharon and the Israelis are playing a double game together with the Syrians against Lebanon. The Israeli defense minister is giving proof that Israel is looking exclusively after its own interests in Lebanon. This will have very bad consequences on neogiations between Israel and Lebanon."

Antoine Fattal, Lebanon's chief negotiator in peace talks with Israel, was even harsher: he said that Israel's actions in

Lebanon were no surprise, in view of the fact that it was the fiftieth anniversary of the rise of Adolf Hitler to power. Fattal received an angry response from his counterpart, Israeli chief negotiator and Foreign Ministry Director David Kimche. Foreign Minister Yitzhak Shamir warned that if Lebanon did not accede to Israel's demands, "terrorism" would break out all over the country.

Lebanese Foreign Minister Elie Salem said in a press conference that if Israel persisted in demanding bases in southern Lebanon, Lebanon would demand bases in northern Israel. "Whatever Israel wants of us, we want of them," Salem stated. "You want bases? We want bases. You want guarantees? We want guarantees. You want security? We want security. You want rights? We want rights."

Salem stressed that Lebanon was no longer interested in cooperating with Sharon in expanding the region's money-laundering, gambling, and drug-trafficking activities. "For too long we have been the playground of the Middle East," said Salem. "We want to transform the values of Lebanon from a valueless mercantilism that prevailed before when Lebanon was thought of as a club, as a casino. Well, we don't want a casino anymore."

A telling omission

In the eyes of Henry Kissinger and his British mentors, Lebanon already no longer exists. The February issue of *Middle East* magazine, a glossy British intelligence printout from London, omitted Lebanon's name in a listing of Middle East nations. Analysts in the Middle East read this as a signal for the planned elimination of those Lebanese leaders and groups opposed to seeing their nation carved up and ultimately removed from the map. According to Israeli sources, "a bloodbath against Sharon's opponents in Lebanon" is in the making.

"It is not only the Palestinians who are targeted," commented one Lebanese journalist. "We Christians, too, are to be liquidated. Last week, Libya's Qaddafi, who along with Syria is in bed with Sharon, gave an interview to the French press and said that there was no room for Lebanon's Christians in the Middle East, that they must either convert to Islam or face the consequences."

Sharon's ultimatum to Lebanon to choose between Israel and the United States opened many eyes, for it cut through the myth that Israel is America's only reliable ally in the region. With Begin and Sharon at the helm in Israel, quite the contrary is the case. At the end of January, Sharon shocked the world when he invited the Soviet Union to enter into direct talks with Israel on the Middle East. Sharon justified his invitation to Moscow by saying that Israel must do everything possible to sabotage President Reagan's Sept. 1 peace plan and to counter U.S. pressure on Israel to get out of Lebanon.

Sharon timed his playing of the Soviet card to coincide with Egyptian President Hosni Mubarak's trip to the United States. In his meetings with President Reagan, Mubarak reiterated the urgency of effecting an immediate withdrawal from Lebanon. Mubarak predicted "disaster" if withdrawal was not achieved posthaste.

Sharon's overture to Moscow and his announcement of a partition pact with Syria are the fruits of a secret relationship which, as *EIR* has reported, has been growing between Israel and the Soviet Union over the past two years, aimed against the United States. This Soviet-Israel axis, now made manifest, enjoys the tacit backing of Great Britain.

If President Reagan succumbs to Sharon's blackmail and agrees against his better judgment to condone Israel's partition scenarios, it is only a matter of time until the United States is finished in the Middle East. If, however, Reagan cuts through the pressure he is under—from Secretary of State George Shultz, Henry Kissinger's inside man in the Reagan administration, as well as from Tel Aviv—and moves to check Israel by cutting off all aid, as President Eisenhower did in 1956 during the Suez crisis, U.S. credibility and influence in the region have the potential to be restored.

Although the President is said to be sympathetic to an Eisenhower-style approach, Shultz is dissuading him on the specious grounds that such firmness would only make Israel more intransigent. On Jan. 30, Shultz stated emphatically that he had no intention of restraining Israel. "I don't think that forcing people to do things that they believe is against their interest produces lasting solutions to problems," he said.

Among other things, Shultz's remarks came as a blunt rebuff to Egypt, whose internal stability is threatened by Washington's continued reneging on its responsibilities in the region.

The Kissinger connection

Most Lebanese hate Henry Kissinger for his role in destroying Lebanon. What few Lebanese, and Arabs for that matter, understand is *why* Lebanon is being destroyed, *why* genocide is slated to take place, or *why* the United States is acting in the irresponsible, suicidal way it is acting. The answer lies in the strategic gameplan for the region as a whole pursued in Moscow and London, a plan to undermine nation-state after nation-state in the Middle East—including Israel—as a step toward realizing a new neo-Malthusian, post-industrial world order.

One thing that may help disrupt this scenario for Lebanon is a growing suspicion among factions inside Syria that Sharon and the KGB-British crowd around Yuri Andropov have doublecrossed the Assad brothers and will in the next weeks or months get rid of them with either a new Syria-Israel war or a Muslim Brotherhood coup. These Syrian factions, if they so choose to act on their suspicions, could break the Syria-Israel fix. And if Sharon is forced to resign as a result of the findings of Israel's state inquiry into the September Beirut massacre, a descent into hell may be averted.

France declares war on François Genoud's terrorist coordinator Ahmed Ben Bella

by Thierry Lalévee in Paris

Speaking on Oct. 16, 1982 before a group of French journalists and diplomats, Jacques Cheminade, General Secretary of the European Labor Party in France (POE), delivered a warning to the French government about the activities of former Algerian President Ahmed Ben Bella in France. Cheminade's press conference came some weeks after it had been revealed that Ben Bella, during the summer, had chaired a meeting of the notorious Muslim Brotherhood, to discuss the 1983 commemoration of Adolf Hitler's rise to power. In this meeting, as detailed by the weekly magazine *La Vie Française,* participants discussed the translation into Arabic and Swahili of the books of Ben Bella's most famous patron and protector, the Swiss banker and fervent Nazi François Genoud.

Genoud maintains to this day a far-flung network of left and right wing terrorists who rely on him for their financing and for high-level political interventions on their behalf with law enforcement authorities. Genoud was the real brains, and money, behind the reorganization of the international Nazi apparatus following World War II, that was reconstituted into the so-called Malmoe International. Obviously, Genoud's friend Ben Bella, who has been in touch with him since the 1950s, had been indentified as a man to be carefully watched.

Following the POE's exposure of Ben Bella, a member of the Giscardian opposition in the French parliament, M. Gilbert Gantier, put forward a parliamentary question about Ben Bella's activities.

Last month, the French government of François Mitterrand acted on the Ben Bella problem, no doubt after disposing of the objections of such Socialist Party luminaries as Regis Debray.

With Ben Bella having been abroad in Switzerland for some time, on Jan. 25 the police arrived at his house in the early evening, to arrest one of Ben Bella's bodyguards. Youssef Hashem had been wanted by the police since June 1982, when his participation in a bank robbery a year earlier had been established. Arrested with Hashem were four other bodyguards for Ben Bella, including Hashem's brother and Mohammed Yadi, former head of Algerian security forces under Ben Bella. In the house police found a small arsenal, including 12 Berettas (9mm), a Uzi machine gun, bulletproof vests, and walkie-talkies.

With Hashem under arrest for bank robbery, the four others expelled from France for illegal possession of weapons, and Ben Bella remaining in Switzerland, unofficially unwelcome to return to France, the affair might die there, especially since the French authorities are understandably eager to maintain good relations with the Algerian government of President Chadli, in keeping with French policy of promoting stability in North Africa. But letting the Ben Bella case drop would be a bad mistake.

There have been increasing indications that Ben Bella is actively involved in projects to destabilize Algeria, and that his friends were active in December and January riots organized by armed Islamic fundamentalists. Both *Le Monde* and French radio have remarked on the new "Islamic militance" of immigrant workers in France, and their use of the Koran in the recent strike wave can also be traced back to Ben Bella, his recent decision to publish a newspaper, and the creation of a "Ben Bella Support Committee."

Ben Bella himself admitted in a recent interview with *Le Matin* that "[My] activities are not merely confined to Algeria." In France, he is the representative of the shadowy London-based "Islamic Council of Europe" led by Muslim Brotherhood representative Salem Azzam. With Azzam's backing, Ben Bella became last year the president of the "Islamic Committe for Human Rights," whose activities are coordinated with one Najah Uddin Bammate, an "Afghan scholar," and a former deputy director general of UNESCO. As Ben Bella revealed in recent discussions, it was Bammate who introduced him to the Rothko Chapel of Madame de Menil, financed by the Schlumberger family in Houston, Texas. This temple of Islamic fundamentalist mayhem witnessed last year chants to the glory of the assassins of Egyptian President Anwar Sadat.

Terrorists of many lands

The daily *Quotidien de Paris* reported Feb. 2 on the links between Ben Bella and Swiss banker François Genoud, many previously exposed by this news service. According to *Quotidien,* "There are certain frequentings attributed to Ben Bella, notably meetings with the neo-Nazi banker Genoud, a man close to certain Palestinian circles. He helped in the liberation from Israeli prisons of [convicted terrorists] Bruno Breguet and Magdalena Kopp. Sources also attribute to Ben Bella the intention to help in the translation and re-publication of certain Nazi works into Arabic."

Privately, it is said in France that Ben Bella and his Islamic networks have the intention of "recovering for Islam" the area of southern Spain known in earlier times as Andalusia, as well as much of southern France. These are areas of high concentrations of workers of North African descent, from whom Ben Bella draws his base of support. Islamic fundamentalist ideology is spreading among these workers, although French sources also report considerable resistance to Ben Bella's preachings among immigrants.

Then there are Ben Bella's Libyan and Pakistani connections. For months now, Ben Bella, who receives Libyan financing, has been acting as the go-between for the German "Die Grünen" (the environmentalist-terrorist "Greenies") and Libyan dictator Qaddafi. The two share a common outlook.

Qaddafi to *Le Matin:* "As for the massacre of the Jews, Hitler had understood that the Zionists wanted to dominate Germany. I have said that Hitler realized the danger of the Jews of Germany, and decided to sacrifice them before they sacrificed Germany."

Ben Bella to *Politique Internationale:* "If there is no other solution, let's have a nuclear war and be finished with the problem of Israel."

Ben Bella also maintains connections to the Islamic fundamentalist networks in Pakistan who are presently mobilizing to increase tensions with India as a means of sabotaging the upcoming March Non-Aligned nations summit in New Delhi.

It is hardly a coincidence, then, that Ben Bella is fundamentally opposed to the policies of industrial development necessary to forge a new world economic order. Indeed, Ben Bella is not his own master, but the pawn of two related institutions, Aurelio Peccei's Club of Rome and the North-South Commission of Willy Brandt and Olof Palme, both committed to neo-Malthusian perspectives envisioning the elimination of 50 percent of the world's present population in the next two decades.

The Brandt Commission's main mouthpiece in West Germany, the daily *Frankfurter Rundschau,* leapt to Ben Bella's defense in a Feb. 3 article reporting on the police raid. The *Rundschau* claimed that Ben Bella was the "victim of a political deal between France and Algeria," and that Ben Bella fears that if he returns to France he will be assassinated by Algerian agents. But the *Rundschau's* actual target was revealed when it mentioned that the Ben Bella affair occurs in the context of French President Mitterrand's attempt to improve relations with the Maghreb North African states.

Kissinger's exoneration fuels European anger

by Umberto Pascali in Rome

Last Jan. 24, after nine months, 99 sessions, and 300 interrogatories, the trial for the kidnapping and assassination of Italy's Christian Democratic Party President Aldo Moro (killed in 1978) concluded by sentencing 32 of the 63 accused to life imprisonment, and the rest to a total of 1,245 years in jail.

Although the sentences could be considered tough according to usual standards, it appears clear that justice remains to be done in the case of Aldo Moro. The key instigator, the real culprit responsible for the most ferocious political assassination of Italian post-war history, was named on the front page of every Italian newspaper following the dramatic testimony of Moro's widow, sons, and the even more courageous declarations of Moro's press secretary, Corrado Guerzoni. That person, named in the news but not in the court's sentence, is: Henry Kissinger. Kissinger, an individual whose personal responsibility for multiple murders and other obscenities has rightly earned him the title of the worst degenerate of the 20th century—an individual comparable to Tiberius, Nero, and Caligula—had openly threatened Aldo Moro to stop his policy of "National Unity" or face the consequences. All this is well known both inside and outside Italy. The Rome magistracy has in its hands a dossier, presented by the European Labor Party's (POE) secretary, which details Kissinger's deep involvement in the Moro assassination.

Despite all this, Kissinger's name was not even mentioned in the final sentencing. Why? Insiders know that, once again, enormous pressures stemming from London—in particular from the environs of the Royal Household and from the British-controlled apparatus in the United States—were directly brought to bear to save Kissinger's wretched hide. It is exactly these acts of wild interference by Anglo-American circles into European affairs that are provoking an increasing estrangement of Europe from the United States. America's leadership must consider that this situation cannot go on much longer. At this point, they must answer the question: Are they ready to sacrifice their vital interests and, in fact, play into the hands of Soviet propaganda in order to cover up the culpability of a gangster such as Henry Kissinger?

The question becomes even more urgent now, as the Italian magistracy's investigations into the "Bulgarian Connection" produce evidence against the Grand Lodge of Lon-

in Aldo Moro affair against the U.S.

don—Kissinger's puppet-masters. On which side do the Americans want to be in this war?

Despite the court's decision, an entire spectrum of Italian press and politicians, together with media spokesmen from other European countries, made a public outcry against the blatant whitewash of Kissinger's role. On Jan. 27, the most important Italian Catholic newspaper, *L'Avvenire*, published an article that quoted the Soviet *Literaturnaya Gazeta*. "Kissinger is a 'macabre figure' involved in the murder of Aldo Moro, Spanish Prime Minister Carrero Blanco, and Chilean President Salvador Allende. . . . Numerous assassinations were organized on Italian soil and in other countries with the green light of the bosses of the White House and of this same Kissinger."

Other international outcries against the sentence included the French Paper *Le Monde*. In an article by Philippe Pons datelined Jan. 26, *Le Monde* noted, "The last question concerns the 'threats' that Moro received at the hands of the Americans while he was Foreign Minister. Mrs. Moro and Moro's press aide recalled the stormy conversation that Moro had with Kissinger in 1974: the policy of rapprochement with the Italian Communist Party was not liked by the Americans, and Nixon's collaborator Kissinger made this clear in so rude a way that Moro got sick immediately afterward."

A new dossier published by the European Labor Party in Italy: "Behind the Bulgarian Connection to Terrorism is the Lodge of Kissinger and Andropov."

An editorial in *La Repubblica* written by Stefano Rodotà on January 20 reads: "The hostility of the United States [to Aldo Moro] was more than obvious. No matter the 'operational' dimension of the threat Kissinger addressed to Moro: it is certain that the threat indicated a determination to interfere which cannot be considered as secondary." Similarly, the newspaper *Paese Sera* wrote on Jan. 21: "The Red Brigades made clear that their goals coincided with secret plans of certain political circles," recalling in this context the threats issued by Kissinger. The Soviet party daily *Pravda*, on Jan. 21, also referenced declarations issued by Red Brigades leader Prospero Gallinari before the Moro trial. Gallinari said: "We kidnapped Moro to destroy the national unity project. Moro was the crucial strategist of the national unity project."

The Grand Lodge of London behind Arsan

Ironically, just when the Anglo-Americans are doing all they can to save Kissinger, the Italian magistracy is amassing evidence of the involvement of the Kissinger's puppet masters in the immense drug/weapons traffic discovered recently by Trento Judge Carlo Palermo. Palermo has not decided to concentrate his efforts on the investigation into the "P-2 connection," a connection that leads directly to the Lodge's leadership, led by the Duke of Kent.

A large part of the weapons smuggled by Henry Arsan (the Bulgarian connection), it has now been found, had been passing through the Tuscany region, in particular through the port of Leghorn. Involved were persons like Maurizio Bruni, and above all, Alessandro Del Bene, both members of the Propaganda-2 Freemasonic lodge (P-2), and both closely linked to P-2 leader Licio Gelli. It was the P-2 umbrella that was really running the weapons traffic. Del Bene had been able to smuggle highly sophisticated weapons, using a British company, the Independent Trading Company, based in Jersey. The area of Leghorn and the Tuscany region is one of the most tightly controlled Masonic areas, an area in which British Masonry planted its roots very early. The first Italian lodge was created in Florence in 1733. But the whole apparatus in Tuscany was reorganized in 1973, after the Grand Lodge of England recognized the Italian Grand Orient. In 1973 the Grand Secretary and the President of the Grand Lodge, James Stubbs and Jeremy Pemberton, made a journey to Tuscany, and had meetings with the most important politicians there (who were also, in large part, Masons). In particular, they met Socialist leaders, foremost of whom was the Socialist president of Tuscany and present Defense Minister, Lelio Lagorio.

The two bosses of the Grand Lodge of England had been guests of an important P-2 Mason, Alessandro Del Bene. A few days ago Florence magistrate Pier Luigi Vigna delivered a warrant for weapons smuggling to Licio Gelli, Gelli's son Raffaele, and Alessandro Del Bene!

EAP defines issues in German election

by Susan Welsh

The European Labor Party (EAP) in West Germany announced Jan. 27 that it qualified for national ballot status in the upcoming March 6 federal elections, and will be fielding candidates in each of the 10 federal states. A total of 53 candidates will run on the EAP ticket, with full access to the television time guaranteed to national political parties.

The EAP was founded in 1974 by associates of the world's leading American System economist, Lyndon H. LaRouche, to build a constituency for the New World Economic Order in West Germany and other European nations. The recent official adoption of the fascist, anti-technology policies of the Green Party by the Social Democratic Party (SPD), makes the EAP the only political organization in West Germany committed to reversing the depression and the consequent danger of emergency government and war.

EAP chairman Helga Zepp-LaRouche, wife of Lyndon LaRouche, is running for national parliament in the once-booming steel center of Dortmund in the Ruhr region. Dortmund has been the scene of a years-long fight between the "de-industrializers" who want to close down the steel plants and replace them with casino gambling, electronics, and so forth, and the city's working population, which has staged 15,000-person demonstrations in the past year to save the steel industry.

Mrs. Zepp-LaRouche toured a Hoesch steel plant and gave her first campaign speech in Dortmund at an EAP election rally Jan. 28, where an encouraging number of campaign workers was signed up. She insisted to the voters that there can be no solution for Dortmund within the city limits, and that only by joining the EAP's international fight for a New World Economic Order, providing credit for large-scale investment in both the Third World and the advanced sector, can industry be saved.

Mrs. LaRouche's opponent is Christian Democratic Labor Minister Norbert Blüm, a "solidarist" whose first move as minister was to demand a six-month wage freeze. Two days before Zepp-LaRouche's campaign appearance, a commission appointed by federal Economics Minister Count Otto von Lambsdorff had issued a report recommending a contraction and cartelization of the steel industry, with thousands of additional layoffs.

The plans to cartelize German industry, Mrs. LaRouche said in her Dortmund speech, are nothing but a revival of the Morgenthau Plan, the program for the de-industrialization and depopulation of Germany drafted in the concluding months of World War II by Winston Churchill's advisers. The new plan is designed to slash the steel workforce and reduce national steel-producing capacity by at least 20 million tons. (Peak capacity about a decade ago was a little over 60 million tons per year.) The existing five companies will be rationalized or merged into two firms, the "Rhine Group" and the "Ruhr Group," which will be forced to cut "superfluous capacity" in broad-plate rolling mills. Dortmund's Hoesch Steel had planned to build a new oxygen furnace to modernize its facilities; now it will not only be prevented from doing this, but it will lose the old plant. As one Hoesch shop steward told Mrs. Zepp-LaRouche, "We will have to get rid of 10,000 skilled steel workers. We now have 16,000; in 1980 we had 26,000; so that in about another three years we will be down to 4-5,000, under the new plan."

In the Saar region, the Arbed Saarstahl company, Europe's most modern, providing 20 percent of the jobs in the state, will be "left to solve its problems by itself;" in a few years, after being "totally restructured," the commission recommends that it might join one of the new cartels.

With the exception of the EAP, the election campaigns are being run as a fight between "left-wing" and "right-wing" options for demolishing German industry. The left option, led by SPD Chancellor candidate Hans-Jochen Vogel, calls for international "labor solidarity" against advanced technology, on the basis that new technologies eliminate technoljobs. This policy was put together for Vogel by C. Fred Bergsten's International Institute for Economics in Washington, D.C., and by the Anglo-German Foundation for Studies of Industrial Society, the British complement to the American Marshall Fund. The president of the Anglo-German Foundation is Prince Philip of Great Britain.

The EAP is trying to shock the population into recognizing the choice it faces: either it sticks with familiar political institutions which have nothing to offer at this point, or it gives the EAP enough voter support to signal the emergence of a movement to restore Germany's classical role on the world stage in advancing industry, science, and culture.

At the Hoesch plant, workers accepted "in theory" the EAP's insistence upon the fight for a New World Economic Order, yet held to their allegiance to the SPD on the grounds that keeping the CDU in power will continue the current economic crisis. The new program adopted by the SPD at its Jan. 21 political platform congress in Dortmund, however, calls for a special "machine tax" on all new factory machinery that might "take away workers' jobs," creation of "new jobs" in nature conservation programs; an emergency program to "save the German forests" from industry; and reducing the work-week and lowering the pension age to spread out whatever jobs now exist. The program makes it clear that the SPD will pull West Germany into a post-industrial dark age.

Revolution in the making?

British intelligence circles want to see violent uprisings sweep throughout Mexico by no later than early summer.

'My personal view is that it would be no surprise if a series of popular uprisings began all over the country. These could lead to government repression, and then to a state of virtual anarchy culminating in a military takeover."

These are the words of an unnamed Western banker cited by the London *Times* Jan. 25. Titled "Mexican Powder Keg—But Will There Be a Match?", the article engages in speculation of whether "right-wing" peasants or "left-wing" students will ignite the coming revolution. With 100 percent inflation and popular anger rising, "soon the army will have to take to the streets," the *Times* concludes.

This type of so-called prediction has indeed become the order of the day in British intelligence mouthpieces around the world. The same outlets which last year loudly demanded that Mexico submit to the austerity dictates of the International Monetary Fund are now measuring the "revolutionary" effects of such austerity. The failure of the last OPEC meeting to stabilize world oil prices is being hailed by the same sources as coming at an opportune time for the expected disintegration of this country (see Special Report).

A British Empire propaganda sheet in the United States, the *New York Post,* noted on Jan. 26 that the new collapse of oil prices "could plunge Mexico on our border into bloody revolutions." The daily further commented that there is no reason to fear that Mexico could liberate itself from such price manipulations because the country "is largely shielded now by curbs imposed by *its new de facto government, the International Monetary Fund* [emphasis added]."

A national fascist movement is now emerging, based on middle-class sectors and backward peasants. At the end of January, a thousand businessmen gathered in the city of Toluca to hear rabble-rousing speeches against the de la Madrid government's supposed attempts to take the country to "socialism."

Organized by the Friedmanite National Confederation of Chambers of Commerce (Concanaco) and addressed by extreme "free enterprise" ideologues of the Coparmex and CCE business associations, the meeting was in the vein of the "Mexico in Liberty" forums last year which vilified the López Portillo government for its "pro-socialist" tendencies. CCE leaders charged that the new government wants to destroy merchants as López Portillo expropiated bankers. Panicked by 100 percent inflation and steep taxes on gasoline and consumer purchases, the audience gave clear signals that it is rapidly moving to the right.

That a fascist popular movement is in the making was further evidenced by the high profile which José Angel Conchello, former president of the PAN right-wing party, played in the meeting. Conchello's presence signaled that oligarchically oriented business groups are rapidly becoming militant. During his 1976 presidential campaign, Conchello, a fervent defender of the IMF, publicly proposed that the policies of Hitler's Finance Minister Hjalmar Schacht be carried out in Mexico.

Although sectarian leftist groups are striving to take advantage of the population's anger, right-wing groups such as the PAN are gaining more adherents. As I previously reported, the PAN and the PDM party, the descendent of the 1930s fascist Cristero movement, made substantial gains in municipal elections last month.

Most recently, these two parties have gone to the population to denounce former President López Portillo and his closest associates for all of Mexico's ills and demand a judicial investigation of former officials' personal finances. On Jan. 26, PAN congressman Carlos Chavira took to the front pages of the press to demand an investigation of labor boss Fidel Velázquez and other labor leaders' "corruption".

This campaign is having a drastic effect in the most backward rural areas of the country. Sources here report that members of the PRI in the states of Jalisco and Morelos are deserting the party en masse to join the PDM. Explaining the difficultues in rallying his district for an anti-IMF campaign, a PRI congressman told me that "In the district where I was elected last summer, there's no one left with the PRI. I'm alone."

The *New York Journal of Commerce* emphasized Jan. 28 that "Virtually everybody has been disappointed by Mr. de la Madrid's timidity about public investigations of corruption in the administration of predecesor José López Portillo."

Highly reliable sources report that some London and New York bankers may be blackmailing President de la Madrid to order a witch-hunt against the former President in exchange for further international credit.

International Intelligence

Peking gives Shultz the cold shoulder

Secretary of State George Shultz, on a 12-day tour of Japan, Korea, and China, received a less-than-warm reception from Peking. On Feb. 1, as Shultz was in Japan, Chinese Foreign Ministry spokesman Hao Deqing issued a statement declaring that "Whatever its pretensions, the United States' presence in the Asia Pacific region is essentially, fundamentally hegemonistic [Peking's password for attacking both the United States and the Soviet Union]. . . . This is equally true of its bases in the Philippines, its troops in Southeast Asia, its defense treaties with Japan, and so on, as is its support of the Nationalist authorities on Taiwan. . . . It is time to end it all."

It probably didn't escape Shultz's attention that the statement was issued while he was in Tokyo, for talks centering on bolstering U.S.-Japan military cooperation.

Central American violence threatens Pope on visit

Violent conflict in Central America is being escalated in the period prior to Pope John Paul's early March tour of six Central American nations, posing a grave threat to the Pope's security.

In Haiti, where the Pope is scheduled to attend the gathering of the Latin American Episcopal Conference (CELAM) on March 9, the "Hector Riobe" terrorist command issued a communiqué threatening to assassinate the Pope should the Pontiff "place himself at the service of the Duvalier family which rules Haiti." The terrorist group, which operates out of Miami, was responsible for a New Year's Eve attempt on the life of Haitian dictator Jean-Claude Duvalier.

In El Salvador, Bishop Pedro Arnoldo Aparicio of San Vicente spoke out against any possibility of a negotiated settlement to armed conflict in that country, adding that the Pope's visit would most likely not produce any dialogue between the opposing forces. Aparicio, who sources have described as close to the Heritage Foundation in Washington, D.C., also threatened Arturo Rivera y Damas, the acting Archbishop of San Salvador who has worked closely with the Vatican in attempting to stabilize the region. Rivera y Damas, said Aparicio, "is playing with the same pawns as Bishop Oscar Arnulfo Romero did." The reference is to Archbishop Romero of San Salvador who was assassinated two years ago by right-wing snipers.

The blue blood of the Club of Rome

Recent revelations in the Italian newspapers *Il Giornale* and *Il Giorno* have shed new light on how the genocidal policies of the Club of Rome and its offshoots in culture and science are coordinated.

These newspapers have run features on one Prince Raimando Torre e Tasso of Trieste, whose German family branch goes by the name of Thurn und Taxis. Prince Raimondo owns a castle near Trieste, where his family has through the past decades sponsored many poets and writers, including existentialist blueblood Rainer Maria Rilke of Germany, Italian fascist poet D'Annunzio, and German writer Hugo von Hoffmansthal. Today, to further the aim of "bridging between spirit, art, and culture," Prince Raimondo has continued this tradition.

Among the activities he proudly takes credit for are:

- founding and sponsoring the International Federation of Institutes for Advanced Studies (IFIAS), which, *Giornale* notes, is interchangeable with the Club of Rome, UNESCO, and the Aspen Institute for Humanistic Studies;
- founding and sponsoring the Trieste International Center for Theoretical Physics, which is headed by Pakistani Club of Rome member Abdus Salam. Salam has been recently trying to build an Islamic Center in Trieste as a center for Islamic fundamentalist activities;
- founding, with the late Lord Mountbatten, a "Collegium of the United World," for students around the world to be trained in Club of Rome ideology. The head of the Collegium is now Prince Charles, and the Collegium has branch offices in South Africa, Singapore, Canada, and New Mexico, U.S.A.

Guardian raves against ABM systems

Space-based laser ABM systems will lead to nuclear wars, initiated by space-borne computers without the intervention of human judgment, writes the British daily, *The Guardian,* in a scare story on the supposed dangers of developing beam-weapons systems to destroy nuclear missiles in flight.

Entitled, "Holocaust By Computer," the Jan. 27 feature says: "Space activities will make war on earth even more destructive, and activities like anti-satellite warfare, the deployment in space of anti-ballistic missile systems . . . will increase the possibility of nuclear world war."

Club of Life branch formed in Madrid

When the founding meeting of the Spanish branch of the international Club of Life took place in Madrid on Jan. 22, discussion centered, not on the abortion question or any single issue, but on the impending collapse of civilization and the need to build a mass movement to counter the Club of Rome's ethic of mass genocide and deindustrialization.

Speakers at the conference, which opened with greetings from Club of Life-founder Helga Zepp-LaRouche, included Alberto Piñero, a leader of the Spanish Right to Life movement; Humanist Academy president Elisabeth Hellenbroich of West Germany; Jonathan Tennenbaum, European director of the Fusion Energy Foundation; Manuel Ferrer-Regales, director of the Center for Urban Ecology in Pamplona, Spain; Dolia Estévez-Pettingell of the Mexican Labor Party; Nariano Oyarzabal, president of Westinghouse Nuclear in Spain, and *EIR* Paris bureau chief Katherine Kanter.

Also speaking were representatives of

the Humanist and Democracy Foundation of Spain and the economics faculty of Madrid University.

In attendance were journalists from *Ya!*, Europa Press, OTR Press, the Association of Catholic Publications, the Center of Agrarian Studies, the American Nuclear Society of Spain, the Foro Atomico Español, the National Spanish Youth Organization, the National Parents' Association, and the National Family Association.

Before the conference, the widely read daily *Ya!* had published a half-page interview with Piñero, under the headline "Club of Life Sees in Zero Growth the Risk of Nuclear War."

The Madrid counterpart to the *Wall Street Journal, 5 Dias*, headlined its coverage "Anti-Friedmanites Will Meet to Found the Club of Life in Madrid."

Soviet think tank probes 'debt bomb'

The Soviet foreign policy think-tank IMEMO co-sponsored a seminar on the New World Economic Order with the Center for Economic and Social Studies of the Third World (Ceestem) in Mexico City, Jan. 27 and 28. *EIR* representatives report that the IMEMO personnel put out the line that the new world economic order was impossible to achieve "because of current economic conditions." But their main interest seemed to be to take the pulse of Ibero-American sentiment. What they were told by Argentines, Uruguayans, Bolivians, Nicaraguans, Cubans, and Mexicans present was that the New World Economic Order was not only possible but essential.

Press coverage of the meeting in the newspaper *El Nacional* featured an attack on the Brandt Commission by Ceestem international director James Estévez. Estévez charged that the IMF and the World Bank have refused any kind of meaningful aid to the developing sector, and that the Brandt Commission report "does not constitute a panorama for the autonomous and integral development of the Third World," but rather "for the survival of the multinational order."

Mitterrand calls for Mediterranean conference

After accepting King Hassan's appeal for France to supply Morocco with nuclear energy for peaceful purposes, French President François Mitterrand has proposed convening in Paris sometime later this year a "preparatory conference" of Mediterranean countries to discuss European-African relations.

Among those countries asked to participate are France, Spain, Italy, Algeria, Morocco, Tunisia, and possibly Portugal. The core grouping in this list is the Paris-Madrid-Rabat-Algiers axis that has evidently been consolidated through Mitterrand's Morocco visit and the simultaneous French crackdown against exiled Algiers Islamic fundamentalist Ahmed Ben Bella.

Mitterrand's moves have drawn fire. The main operations against Mitterrand

The main operations against Mitterrand are coming from within his own Socialist Party. He has been blasted for his warm relations with Hassan by the former (recently ousted) adviser for African Affairs, Jean-Pierre Cot, and by Socialist Party International Affairs Adviser Jacques Huntziger, whose underlings were exposed by *EIR* last year for predicting a "demographic explosion" in North Africa. The Socialist-linked CFDT trade union confederation has come out publicly supporting Ben Bella against Mitterrand.

While these puppets of the British Foreign Office target Mitterrand, the British Foreign Office itself is targeting Algeria. The Jan. 31 *Frankfurter Allgemeine Zeitung* in West Germany reports that a "state of emergency" has been declared in various Algerian universities following two months of riots and other destabilizations by Khomeini-like Islamic fundamentalists wanting a return to "pure Islam," and an end to "progress and the Western bourgeoisie." *FAZ* reports that these Islamic extremists are particularly anti-French. *FAZ* claims that the Algerian authorities have the situation under very tight surveillance, and that 23 leaders of the extremists were arrested recently in the city of Medea.

Briefly

● **ISRAELI** journalists have begun to look into the question of Sharon's ties into neo-Nazi organizations in Ibero-America and into the Khomeini fundamentalists in Iran, and highly damaging exposés against Sharon could be released at any moment.

● **THE LATEST** Israeli newspaper to use *EIR* material is the most widely read daily there, *Yediot Aharanot*. The author of the article, a scientist named Amos Carmel from the Rehovot industrial complex in Israel, draws on *EIR* to build a case for why Israel should have nothing to do with the evangelical Christians.

● **BONN WAS** the scene of a lively *EIR* seminar Feb. 2 on "Was the Soviet KGB Behind the Assassination Attempt Against the Pope?" Journalists attended from Bulgaria, the U.S.S.R., East Germany, Poland, Israel, and Turkey, as well as the West German media. Representatives from the Italian and Turkish embassies, and the Society of Jesus, also attended. Similar seminars were held in Washington, D.C. and New York City.

● **FUSION POWER** will commercially be available within 15 to 20 years, Soviet Deputy Prime Minister G. I. Marchuk told *New Wave* editor Ganesh Shukla in New Delhi on Jan. 28. Marchuk is also chairman of the State Committee for Science and Technology. He was in India at the invitation of the government's Center for Scientific and Industrial Research.

● **RICARDO LOMBARDI** was rebuffed by Italy's highest court, the Corto di Cassazione, in his attempt to put European Labor Party leader Marco Fanini in jail. Lombardi had succeeded in corrupting two lower courts to get a conviction of Fanini for "press libel" (writing that Lombardi was a British agent in the leadership of the Italian Socialist Party) before the high court remanded the case to the Court of Appeals on a technical error.

Reagan's 'no guns, no butter'-budget

by Richard Cohen in Washington

President Reagan and his most trusted aides are as yet unaware of the tragic consequences of the administration's Fiscal Year 1984 budget, unveiled on Jan. 31.

In late December 1982, this reporter warned that Senate Majority Leader Howard Baker would emerge as the pointman in a plot concocted by the inner circle of the International Monetary Fund (IMF), the Swiss-based Bank for International Settlements (BIS), and the London-based Ditchley Group of bankers. The plot has as its goal the blackmailing of the President and his confidants into a fatal capitulation on domestic and international economic policy.

Reagan was told that he could only avoid a calamitous destabilization of the world monetary system and simultaneously restrain the upward climb in interest rates threatened by Federal Reserve Board Chairman Paul Volcker if the FY84 budget included extreme cuts in entitlement programs, including Social Security, in domestic programs, and in the defense budget. In addition, this program, pressed upon the President by Senator Baker and his cohorts, required steep increases in domestic taxes. On Jan. 25 in his State of the Union message, and on Jan. 31 with the budget unveiling, the President took the bait.

Several hours prior to the State of the Union address, White House sources confided to this reporter the first real victim of the new White House budget pact. I was told that the President had privately conceded an FY84 cut from the earlier plans in the nation's defense budget far above the 8-11 percent cut leaked to the press during the early weeks of January.

In fact, my sources told me that the White House was now prepared to accept a 22 percent cut in the defense budget, concealing the deal behind a mock congressional battle during the spring. A week later, the same sources confirmed that the space-based directed-energy beam anti-ballistic defense program, promoted strongly within the White House by presidential intimate Edward Teller and strongly advocated by *EIR* founder Lyndon H. LaRouche, had been all but dropped, with only inconsequential funds for the program in the FY84 budget request.

The dismantling of the President's rearmament program, his last remaining campaign commitment, and the scuttling of the most advanced military technologies program as part of the FY84 budget deal, are, according to Capitol Hill sources, part of the following picture. Howard Baker's collaborators, icluding White House Chief of Staff James Baker III and his long-time partner Office of Management and Budget Director David Stockman, who have privately lobbied the President since the fall of 1981 for just such a national security retreat, have gained solid control on this matter within the administration. My sources suggest that the unfortunate Secretary of Defense Caspar Weinberger, who has tied his fate to Pentagon proponents of hardware, within three months may meet the same fate as former Secretary of State Haig.

Not only has the Baker-orchestrated budget deal wrecked U.S. national defense policy, but it has served to divert the attention of official Washington from the international debt crisis and its profound implications into a state of budget-cutting mania.

With the domestic economy eroding at an ever-increasing rate, President Reagan and administration economic spokesmen have emerged from the budget announcement with a ludicrous script. Immediately following the President's budget capitulation, the President, Treasury Secretary Donald Regan, and Council of Economic Advisers Chairman Martin Feldstein have all proclaimed the beginning of the much-awaited economic recovery.

One day after the budget announcement, Regan, appearing before the House Appropriations Committee, boasted, "The worst is over now. This reasonable approach [the budget] should be credible to the financial markets, the Congress, and the American people." Testifying at the same hearings, Feldstein went further, promising that, "We will have an additional million jobs within a matter of months." On Friday, Jan. 28, after a private White House budget preview for Republican senators, Senate Finance Committee Chairman Robert Dole (R-Kan.), a Howard Baker ally emerged, reporting "considerable agreement on what it is we are proposing." On the same day, even Democrats were praising the new budget-cutting course of the President. House Budget Committee Chairman James Jones (D-Okla.) welcomed the President's fiscal proposal. "I can't accuse it of being a smoke-and-mirrors budget," Jones said, while other Democrats echoed the sentiments of Sen. Lawton Chiles (D-Fla.), who expressed surprise, having expected deeper cuts from the White House in social programs.

By the morning of the budget announcement, official Washington was euphoric about big budget cuts, although only a little while ago, during the "lame-duck" congressional session, both the White House and Congress resisted further budget cuts as the means to recovery.

While official Washington has now plunged into the absurd fantasy that deep budget cuts equal recovery, key operatives of the IMF-BIS group, including Secretary of State Shultz, Henry Kissinger, and New York-based commercial and investment bankers who influence key Senators and Congressmen, have successfully shielded private planning meetings now on-going within the State Department and on Capitol Hill. The subject is an unquestioned seizure of control by the IMF and the BIS over the U.S. Treasury and U.S. budget policy by no later than June of this year.

Sources close to the Department of State reported to me that Undersecretary of State for Economic Affairs, Shultz intimate and founding member of the Swiss-based Mont Pelerin Society, W. Allen Wallis, is currently building a consensus among "conservatives" in or close to the Reagan camp for a massive monetary reorganization based on the "New Bretton Woods" concept previously promoted by Kissinger and Donald Regan (see article, page 4). While the Wallis version might include a new gold reserve system regulated by an expanded IMF and BIS, liberals are being brought into this consensus around the global "Reconstruction Finance Corporation" proposals of Felix Rohatyn—proposals which were floated with vigor on Feb. 1 at the Senate Foreign Relations Subcommittee on Interntional Economic Policy by Sen. Bill Bradley (D-N.J.).

In order for these schemes, now hidden behind the chatter of budget talk, to surface and override opposition, a grave international monetary crisis is required. Intersecting the possibility that such a "controlled" monetary shock will be delivered to the U.S. economy by these agents of the IMF and BIS during the course of the spring and summer, is the fact that Reagan's 1984 budget will, according to early signals, be used as the occasion for massive domestic upheavals during the same spring and summer months.

Already, the effects of the lame-duck-passed highway-construction and gas-tax program concocted by former Secretary of Transportation Drew Lewis, Senator Howard Baker, and House Speaker Tip O'Neill have set the conditions for violent destabilization of the nation's highways by independent truckers under the guidance of agent-in-place Mike Parkhurst.

The FY84 budget contains further such triggers. The President's decision to freeze federal pay and federal retirement budgets for one year will be used by the leadership of the American Federation of Government Employees union and its president, Kenneth Blaylock, for disruptions of the nation's capital; the AFGE leadership is under the control of the left-terrorist Washington-based Institute for Policy Studies. In addition, FY84 budget freeze on price supports for already beleaguered farmers could prompt violent demonstrations against the White House in the coming months.

The President's sharp reduction in food stamps, Aid for Families with Dependent Children, and Medicaid could all be used for provocation among minority groups and the nation's unemployed.

The Democratic leadership of Tip O'Neill, Senate Minority Leader Robert Byrd (D-W.Va.), and AFL-CIO President Lane Kirkland is looking forward to the chaos while offering nothing but "permanent depression" palliatives. O'Neill, while everyone else was praising the President's State of the Union address, stated on Jan. 26, "I cannot conceive of a freeze on domestic spending. He's got a problem with the freeze out there [with the population]." On Feb. 1, O'Neill emerged from a meeting with House Democratic Committee chairmen to announce that he will sponsor an emergency program. This program, which will include a $5-$7 billion make-work jobs component and soup-pail food and shelter programs, is, according to O'Neill, to be pushed to legislative action by no later than mid-March.

O'Neill and the Democrats will stress their agreement with the President's 4 percent across-the-board before-inflation cut in his earlier projected budget—which now stands at $845.5 billion—but they will also stress that programs for the "poor" were cut by a whopping 14 percent before inflation, while defense spending nominally goes up. This appetizing political target had caught the eye of Democrats such as Budget Committee Chairman Jones, who initially praised the President's program on January 28. On Jan. 31, Jones stated, "This is the same stay-the-course budget we have seen for two years. With all due respect, the administration's concept of a freeze on spending is more of a phrase than a freeze."

Beam-weapon effort under fiscal attack

by Robert Gallagher

In its Jan. 27 issue, the prestigious *Defense Daily* reported that 1980 Democratic presidential candidate Lyndon H. LaRouche had, at a recent press conference, "claimed that the pro-defense Heritage Foundation is secretly trying to kill all budget items relevant to development of space-based defensive beam systems." LaRouche had charged the Washington, D.C.-based foundation with acting on behalf of British policy circles, who have an "understanding" with Soviet head of state Yuri Andropov, to sabotage the Reagan administration's commitment to advanced military R&D.

Now, with its Jan. 31 release of the proposed FY1984 Defense Department budget, the Pentagon has confirmed LaRouche's charge.

Defense Secretary Caspar Weinberger's budget statement is based on an explicit endorsement of the doctrine of "flexible response," a policy that entails a conventional arms buildup and deployment of tactical nuclear weapons for "limited" nuclear conflict. These are needed, according to Weinberger, to enable the United States "to respond flexibly to Soviet aggression at all points along the spectrum of violence."

The Heritage Foundation called for just this policy in its *Agenda '83* defense policy statement in mid-January. Last year, Kenneth Adelman, director-designate of the Arms Control and Disarmament Agency (ACDA), endorsed the Carter administration's flexible response memorandum, known as PD-59, in the Heritage Foundation journal, *Policy Review*.

Weinberger's budget statement includes a special appendix with excerpts from statements of past defense secretaries, including PD-59 authors Harold Brown, Robert Strange McNamara, and James R. Schlesinger, to bolster the administration's adoption of the policy. Ironically, McNamara cynically denounced the same "limited nuclear war" policy in a public endorsement of the nuclear freeze just two days later.

The FY1984 budget includes a 12 percent cut in funding for the Army's development of missile-based antiballistic missile systems to $709 million. The budget confirms that for FY1983, this program received a 40 percent cut to $519 million from funds requested last year. The Defense Advanced Research Projects Agency programs for space-based beam weapons received increases that barely cover inflation—from $140 million in FY1982, to $160 million in FY1983.

This net cut in ABM development is consistent with the Heritage Foundation's insistence on cutting advanced technology programs to fund a conventional buildup.

Washington sources report that there has been a "falling out" among allies in the defense community over the *Agenda '83* policy. Conservatives are now attacking the Heritage Foundation's "fiscal conservative" dogma and emphasizing that defense technology can pay for itself through its impact on the civilian economy.

Science driver

At a Jan. 26 press conference, retired Air Force Gen. Daniel Graham responded to a question from *EIR* correspondent Ronald Kokinda stating, "The question tends to show how technical questions impact not only security and military problems but help solve our economic problems as well. Military solutions can pay for themselves," he emphasized, "and we should look at military solutions that drive in that direction."

Graham was speaking at the founding conference of the U.S. Global Strategy Council. *EIR* had asked: "Given the tremendous strategic implications of beam weapon ABM systems in shifting us out of the Assured Destruction doctrine and into Assured Defense, and the impact of putting a science driver back into the economy, what will be your advocacy role for such systems?"

After Graham spoke, former Florida Democratic Sen. Richard Stone added that he wanted to remind the audience of "the Soviet advantage President Kennedy faced when he came into office. President Kennedy announced two national goals to cope with this," Stone said. "To have a better space science program than the Soviets and to land on the Moon. This is an excellent example of how the establishment of national goals can lead to greater military preparedness, greater scientific programs, and a greater economic advantage. That program led to tremendous economic spinoffs which are still benefiting us today," he concluded.

Dr. Steven Bardwell, *EIR* military editor, demolished the contrary, anti-technology arguments of the nuclear freeze movement in recent debates with freeze leaders Dr. Bernard Feld of Massachusetts Institute of Technology and Bill Ramsey of the St. Louis-based Nuclear Weapons Freeze Campaign. When at the St. Louis debate Bardwell exposed the freeze as a cover for a conventional arms buildup, citing its endorsement by Vietnam War architect Robert McNamara, Ramsey insisted, "McNamara has changed his mind. You can't doubt his sincerity."

MIT physicist Feld is a veteran opponent of ABM systems, who testified against the Nixon administration's Safeguard ABM program before Congress in 1969. After Bardwell had knocked down Feld's arguments against the feasibility of beam weapons, Feld admitted what was at issue in the debate: "Look," he said, "there is one fundamental difference I have with you. I don't believe in technological optimism."

'Atari' candidates: post-industrialism in Chicago's mayoralty campaign

by Melvin Klenetsky

"I'm here," exclaimed Sheila Jones, Chicago mayoralty candidate, after ripping off a wig she had worn to get into the carefully monitored fourth scheduled television debate of the mayoralty race.

Television cameras soon focused in on Jones, who had disguised herself to get past the security guards which the League of Women Voters, the debate's sponsors, had placed to prevent Jones from appearing.

"This debate is a sham! I'm the only candidate with a program to end the depression," was Jones's exclamation as she was escorted out of the room. "My opponents are nothing more than the Three Stooges."

Sheila Jones, a National Democratic Policy Committee-backed candidate, has campaigned on the four-point economic recovery program of *EIR* founder Lyndon H. LaRouche, which provides for the restoration of heavy industry and trade to Chicago. But the other three candidates have either regurgitated the post-industrial themes spoon-fed to them by the University of Chicago and Northwestern University crowd, or avoided issues altogether.

Incumbent Mayor Jane Byrne is running on her record. "I've done the best under the circumstances," says Byrne, who has drawn on the advice of New York City public relations consultant and image-maker David Sawyer to help clean up her act. In the words of Cook County President George Dunne, a long-time Byrne adversary and Daley supporter, "She's much more 'sedated' in her campaign approach."

Cook County Attorney General Richard Daley, one of Byrne's challengers, is running on his father's image. His television ads show his mother, "Sis" Daley, looking at a picture of her husband, the late Mayor Daley, and their son Richie, saying, "He's a good son."

Harold Washington, a former State Senator elected to Congress from the first district after Ralph Metcalf's death, is the other challenger. Washington is going only for the black vote, and has therefore been accused of not running a serious campaign. Inside sources claim Byrne wanted Washington to run to take black votes away from Daley, and they point to $300,000 start-up campaign money which Byrne ally Ed Vrdolyak, chairman of the Cook County Democratic Party, gave to the Washington campaign. Washington is essentially limiting his campaigning to the black South and West wards of the city. His rallying cry is that he will change the image of Chicago from the racist capital of the world.

All of these three candidates were wooed by and are backed by post-industrial society planners at the University of Chicago, the *Chicago Sun-Times,* and Northwestern University, whose efforts to spread no-growth ideology throughout the pores of municipal government took a quantum leap the minute that Jane Byrne took office in 1979.

Up to that point Chicago was the "city that works". For more than two decades, from 1955 on, the late Mayor Daley had built a powerful alliance of labor, industry, and city government which was carefully meshed with the goal of maintaining and developing Chicago as a manufacturing, trade, and financial center.

Byrne's tenure has intersected 40 months of Federal Reserve Chairman Paul Volcker's high-interest policies, which has collapsed the Chicago auto and steel industries, as well as Illinois agriculture. Unemployment in the state has reached official levels of 13 percent, a staggering rate for the industrial and agricultural heartland of the country. Chicago steel production, like national steel production, has fallen to under 40 percent of capacity. Wisconsin Steel's Chicago plant, which used to employ 3,500, has been permanently shut down.

Byrne's term in office has witnessed the growth of real-estate speculation and service industries, while heavy manufacturing and the labor-industry-government alliance that was characteristic of Chicago in the post-World War II period has been decimated.

A century of attacks on industry

For more than a century after the Civil War, the awesome potential of Chicago's heavy industry was both the envy and concern of British and European banking interests. The political alliances upon which Chicago industry rested became a target for British and British-connected operations.

In the 1890s William Thomas Stead, editor of the British Round Table journal, the *Review of Reviews,* and executor of Cecil Rhodes's will, came to Chicago and worked with the settlement house movement of Jane Addams to destroy the base of support of Chicago's manufacturing. Illinois' Independent Voter and Municipal League operations came


Stuart Lewis/NSIPS

Candidate Sheila Jones.

out of Stead's efforts.

In the 1930s Marshall Field III, just back from England, and University of Chicago president Robert Hutchins continued these anti-industry efforts. In the 1950s and 1960s Saul Alinsky, University of Chicago social planner, set up the gang structure and community control action programs which were designed to destroy the labor-industry-municipal government alliance of Daley.

In 1979, the mishandling of cleanup operations after a Chicago snow storm by the lackluster Mayor Michael Bilandic, the man the Chicago regulars had chosen to finish the term of the deceased Mayor Daley, together with the efforts of newsman Chris Chandler and the *Chicago Sun-Times,* combined to cause the political upset of the decade when Jane Byrne beat Bilandic handily in the Democratic mayoralty primaries. Byrne brought with her a gaggle of reformers like Don Haider, urban studies professor from Northwestern University, who immediately began applying the austerity policies of New York's Big Mac chairman Felix Rohatyn to Chicago.

Byrne's opponents soon started to call her "Attila the Hen," as she locked horns with the firefighters, the police, and the school board immediately after her election. In her tumultuous term in office she has gone through police chiefs, press secretaries, planning directors, and comptrollers by the droves, and in the process has totally disrupted the fabric of the industry and labor alliance that marked the Daley years.

Jane Byrne, casino sponsor

Byrne's commitment is to real-estate and organized-crime interests. She has taken campaign contributions to the amount of $10,000 from the Hilton Hotel Corporation, arranged by mobster lawyer Sidney Korshak, while campaigning to open Chicago to legalized gambling and casino interests, a move which would prove most propitious to the Hilton chain.

Byrne sold out the North Loop Development Project to the Hilton mob. In another deal arranged by Korshak, Byrne sold the city's parking lots to mob-connected New York lawyers Roy Cohn and Paul Dano of Studio 54 fame. Throughout her current campaign Byrne has pointed to the Chicago Fest, where she brought hard-rock music into downtown Chicago, and the placement of the 1992 World's Fair in Chicago as her most stunning achievements, because they bring in business for the hotel and parking lot industries.

Byrne's top fundraiser, Charles Swibel, former head of the Chicago Housing Authority and a real-estate baron, has been the subject of great controversy in the past when community groups called for his removal. Swibel has put together a war chest for Byrne which now tops $9 million. Byrne, the darling of the Hilton chain, has changed her image, stuffed her controversial husband Jay McMullen in a tower somewhere, not to be heard or seen, and toned down her whole campaign style in her attempt to buy the election with millions of dollars of non-stop media time.

Harold Washington: Black caucus environmentalist

Harold Washington is another post-industrialist. He is anti-nuclear despite the fact that Commonwealth Edison generates more than 40 percent of Chicago's electricity from nuclear power. He is an advocate of Global 2000, the depopulation and de-industrialization policy pushed by the Carter administration. Washington is a leading advocate of the nuclear freeze and an across-the-board anti-technology environmentalist.

Washington's steering committee and inner circle consists of some of the worst elements of the radical left-wing environmentalist and drug-connected black and white elements of Chicago politics. His campaign manager is Al Raby, trained at the Fabian Chicago Theological Seminary and a close friend of poverty pimp and radical counter-insurgent Jesse Jackson. Raby was a close associate of Mrs. Lillian Carter and helped implement her sterilization programs when he was Director for the Peace Corps in the Horn of Africa. Raby was until the early 1970s the head of the Chicago Combined Civic Organization (CCCO), an organization that set up many of the community-control operations that have fed racial tension in Chicago in the past 15 years.

Other figures in Washington's inner circle are pro-dope NORML (National Organization for Reform of Marijuana Laws) reporter Chip Berlett; Playboy Foundation head and environmental feminist Rebecca Sive-Tomasheffsky; Lou Palmer of the Chicago Black United Communities and the

Democratic Alliance, which links the Angela Davis wing of the Communist Party U.S.A. to the Democratic Party; Haki Mahabuti, Director of the University of Chicago-spawned Institute for Positive Education; Dr. Conrad Worell, a local head of the National Black United Front which has led race riots in cities around the country; and Louis Farrakhan, Nation of Islam head, who is close to the Gangster Disciples and el Rukn gangs that have been running shakedown operations in the Chicago housing projects.

Richard Daley, a new 'Atari' Democrat

The most positive feature of Richard Daley's campaign is his emphasis on a war on drugs. In this regard he cites his record as Cook County Attorney General where there has been a 30 percent increase in serious drug convictions, a 25 percent increase in overall drug convictions, a 30 percent rise in convicted offenders sent to prison, and a 46 percent rise in the use of drug education for first time offenders.

On the economic side Daley is a lot more confused. At a Jan. 20 Newsmaker debate sponsored by the Headliner Club and the Association of Black Journalists, Daley stated that the problems of Chicago cannot be solved within Chicago, but require national solutions—which he unfortunately does not have.

Daley's frankness does not change the fact that he has been advocating post-industrial solutions to the unemployment crisis hitting Chicago. Daley favors "high-tech" electronics and service-industry jobs to replace the jobs that have been lost due to the waning of the Chicago heavy industrial base. State Sen. Dawn Clark Netsch, his campaign manager, has been a long-time advocate of every environmental scheme and woman's issue around. Daley has joined with another state legislator, Miriam Balanoff, wife of former District 31 Steel Workers President Jim Balanoff. Mrs. Balanoff is running Daley's 10th Ward campaign while challenging Cook County Democratic Party Central Committee chairman Ed Vrdolyak for 10th Ward alderman. She has pushed for legalized marijuana and has been a leader of the anti-nuclear Bailley Alliance along with her husband. Jim Balanoff is part of the Saul Alinsky-connected radical environmentalist faction of District 31, associated with former District 31 President Ed Sadlowski. This grouping not only opposed the building of the Bailley nuclear plant in Northern Indiana but also opposed the opening of Inland Steel's large blast furnace, arguing that environmental concerns outweighed the jobs lost to steel workers.

Although Richie's mother Sis, and his brother Bill Daley, together with Rep. Dan Rostenkowski, who recently endorsed Daley, represent more traditional influences, Cook County Attorney General Richard Daley is thus starting to look more and more like an Atari Democrat.

Sheila Jones, LaRouche Democrat

Sheila Jones has stated that she is the candidate that the University of Chicago and *Chicago Sun-Times* most fear because she represents the alternative policy to "post-industrialism."

"Why do you think these characters have kept me out of every TV debate?" Jones said after being escorted out of the last debate. Jones has campaigned on the LaRouche economic recovery program which calls for rejuvenating the steel industry, the ports, and the agricultural sector by lowering interest rates and targeting low-interest, long-term credit toward goods-producing industries and agriculture. "We have to build up our nuclear industry and develop electron and laser beam anti-ballistic missile defense systems for our national security," Jones said, "and if we do that and get our export trade going by building Great Enterprise projects throughout the world, then this city and this nation have a chance of surviving."

Jones was a member of the NAACP Youth Council in Milwaukee, a member of the honor delegation at Martin Luther King's funeral, and a director and principal at Martin Center for Disadvantaged Children in Milwaukee. More recently, she is the Midwest Director of the National Anti-Drug Coalition, which is engaged in a $70 million law suit against the *Chicago Sun-Times*, Chip Berlett, and the dope lobby in Chicago. Jones's campaign manager, Nick Benton, is also a mayoralty candidate in the Houston Democratic primaries, a LaRouche Democrat, and a leader in the National Democratic Policy Committee who shares Jones's views for saving Chicago by engaging in a national and international economic program to gear up the heavy industry and agricultural sectors of the economy.

A profile of Chicago's Marshall Field clan

by Kathleen Klenetsky

Last November's visit to Chicago by Prince Philip of Britain, touring on behalf of the World Wildlife Fund, provided a revealing glimpse into the upper levels of control behind such puppets as Mayor Jane Byrne and other politicians working to bring about the demise of Chicago as an agro-industrial powerhouse. When the city's aristocratic elite rolled out the red carpet for the Duke of Edinburgh, the figure standing at their head was Marshall Field V, scion of Chicago's "first" family to be more British than American.

During the Civil War, Chicago had been one of the major centers of the Lincoln coalition that enabled the industrialized North to defeat the British monarchy's creation, the Confederacy. The House of Windsor never forgave that. To carry out its plan of crushing the Lincoln coalition and turning the United States back into a British colony, in fact if not in name, Britain adopted certain American families to put a liberal façade on the process. In Chicago, the nerve-center of the American industrial Midwest, the local viceroys of the Empire were led by Marshall Field I, founder of the Field dynasty.

It is thus no accident that Marshall Field V should be a leading U.S. supporter of the World Wildlife Fund, which was founded after World War II explicitly to carve out vast tracts of land in the former colonial sector, then becoming independent, and maintain them as British royal hunting preserves untouched by such annoyances as modern cities and human populations.

Through such family assets as the Chicago *Sun-Times,* the Field Foundation, Roosevelt College, and the National Opinion Research Center, the Fields have carried out a series of policies convenient to this feudal world-outlook.

- When the British monarchy backed the ex-socialist Benito Mussolini to become dictator of Italy in 1922, Marshall Field III became one of the leading U.S. enthusiasts and financial backers of fledging the Fascist regime.
- The Fields supported the eugenics movement, again a British oligarchic product designed to prove the superiority of the "Nordic race," in the 1920s, helping to create the climate for the Nazi rise to power and the Holocaust.
- With Field backing, Chicago has become the U.S. capital of the British-fostered epidemic of mind-altering drugs and pronography, a policy developed by the British Empire beginning in the 1960s to keep colonial populations docile.
- Not surprising, the Fields have propagandized for Anglo-American cooperation, to the point of replacing the U.S. Constitution with the British parliamentary system.

A tradition of treason

Marshall Field I started as a dry-goods merchant in Civil War-era Chicago and rapidly amassed a fortune based on real-estate speculation and shrewd investments in railroad, utilities, and other essential industries. By the 1870s, he had established himself as one of Chicago's "new elite"—and had solidly aligned with the pro-British faction that was in the process of consolidating its grip on U.S. policy after the murder of Lincoln and the failure of southern Reconstruction.

Field helped to found the Chicago Civic Federation, the University of Chicago, and Hull House. Disguised as educational or social-service institutions, all three were in fact centers of opposition to the city's further development as an industrial center and, potentially, an independent financial center that could rival New York's Wall Street, which was firmly under British hegemony.

By the last decade of the century, Field I had established himself as such an important figure among the pro-British Wall Street Financiers that banker J. P. Morgan, the head of the U.S. Anglophiles, was boosting him for election to an important political office or appointment as U.S. Ambassador to Great Britain.

Field never made it to Britain in an official capacity, but he began to spend extended periods of time there, knitting connections to the ruling-class families. When he died in 1906, leaving a fortune of $120 million to his heirs, the political mantle passed on to his grandson, Marshall Field III.

The Fascist experiment: round one

For all practical purposes, Field III was far more British than American. Raised at his British stepfather's vast country estate near Southampton, Field received an upper-class British education at Eton and Cambridge where, despite his U.S. ancestry, he was recruited into the most exclusive clubs, forming friendships with the offspring of Britain's elite that would last a lifetime.

In 1920, Field returned to the United States to carry on the family business interests. Establishing his own investment bank, Field, Glore and Ward, Field proceeded to underwrite billions of dollars of loans for a wide range of U.S. and foreign ventures.

The Italilan fascist Benito Mussolini was the darling of American liberals in the 1920s. John Dewey, the father of "modern" American education, was one of his more significant admirers. Significant in a different way was Field, whose firm invested huge sums of money in Italy following Mussolini's seizure of power in 1922.

Field openly supported Italian Fascism as late as 1931, when he gave the keynote address at a reception sponsored by Columbia University honoring Mussolini's Foreign Minister. A year later, Field was decorated by the Italian government for his services. Field III also continued the promotion of Nordic race superiority begun by his grandfather, who founded Chicago's Field Museum of Natural History.

Field build himself a 2,000-acre feudal barony on the North Shore of Long Island, New York. In the early 1930s Field served as the vice-president, treasurer, and director of the Long Island Biological Association, which provided most of the funding for Mrs. E. H. Harriman's Eugenics Record Office (ERO).

The ERO amassed "scientific" evidence to prove that mental illness and many other of the human race's problems were of a genetic origin, and could be solved by eliminating so-called inferior strains. Field's tenure as an ERO executive coincided with the ERO-sponsored conference at the International Eugenics Conference held at the American Museum of Natural History in New York in 1931. The conference featured as its main speaker Dr. Ernst Rudin, who only a few years later became the author of the Nazi race "hygiene" laws. Another speaker at the conference, Dr. Henry Fairfield Osborne, proposed that America's 10 million unemployed—the Great Depression was well underway at the time—should be sterilized to avoid the propagation of individuals who had obviously proven themselves to be genetically inferior. The policy was congenial to Field, who was making a killing on the Depression collapse.

Marshall Field I had acquired much of his wealth by purchasing Chicago real estate at bargain-basement prices after the fire of 1871. His grandson ruthlessly exploited the Depression for similar ends. Together with other financiers, he set up a series of fronts to buy as much of the Midwestern industrial base as he could get his hands on. One of these fronts was called the Chicago Corporation. By the mid-1930s, Field had placed himself on the boards of the region's most important banking, infrastructure, and industrial firms, including the Chicago & Northwestern Railroad, Chicago Union Traction, Rock Island and St. Paul Railroad, and Continental Illinois Bank, the last being one of the primary credit sources for Midwest farmers.

It would be an error, however, to interpret the Field saga as merely the story of a Robber Baron aggrandizing himself at the expense of other businessmen bankrupted by the Depression. Field's associations in this epoch indicate that his financial power was acquired as a means of maintaining the *political* power of the British oligarchy, among whom he had been raised.

Among those who most strongly influenced his later activities were Oliver Lyttleton and Ronald Tree.

Roundtable control

Lyttleton, later Viscount Chandos, came from an old English family related by marriage to the Cecils, Cavendishes, and other top oligarchs. Lyttleton had in his youth come under the tutelage of Arthur Balfour, a core member of the Round Table project of British Anglo-Saxon race supremacist Cecil Rhodes. The Round Table set itself the goal of bringing the powerful United States back under the control of Britain, as a junior partner in the British Empire's program of depopulating the colonial sector and keeping the world's raw materials for the exclusive use of the white race. This purpose was explicit, as the imperialist fanatic Rhodes set it forth in his will establishing the famous Rhodes Scholarships.

Lyttleton served in Winston Churchill's wartime cabinet and then became the head of the British Colonial Office when Churchill made his comeback after the war.

Field's other close British friend was Ronald Tree, who was his cousin. Tree, too, had served in the World War I British government, as undersecretary in the Ministry of Information, where he advised Churchill on *American* policy. It was in this period that Britain began its takeover of U.S. media, to the point that a Hollywood movie maker of the epoch was actually imprisoned during the war for making a film on the American Revolution that cast the Redcoats in an unfavorable light.

Tree maintained a cottage on Field's Long Island estate throughout this period. In turn, Churchill often spent his weekends at Ditchley, the enormous country home of Tree, where in a later period Tree created the Ditchley Foundation, one of the most important centers of British control over U.S. foreign policy. The Ditchley Group of bankers has recently been caught in an illegal attempt to create a "creditors' cartel" to force United States acquiescence to an Anglo-Swiss banking dictatorsip.

The apparent exception in Field's circle merely proved the rule—Field was an intimate associate of banker Jimmy Warburg, a U.S. citizen. But Warburg's banking house created and controlled the U.S. Federal Reserve, by which British financial interests removed control over U.S. financial policies out of the hands of the Congress, where it had been placed by the Constitution!

In 1931, Marshall Field III Married the goddaughter of King Edward VII, Audrey Coats.

World War II: saving the British Empire

Marshall Field's attitude toward Hitler and Mussolini flip-flopped in synchronization with that of his British cousins. Not only had Field III applauded Mussolini and the Nazi "race scientists," but as long as Hitler was marching eastward against what British geopoliticians call the "heartland"—Russia—Field was one of America's most distinguished isolationists. After all, the British oligarchy and banking interests had installed Hitler in 1933 to accomplish that task.

The man who had been decorated by Mussolini's government suddenly saw the light about fascism when the Nazis opened up the Western front in earnest, and the British turned on their propaganda spigots full blast to procure American aid against what had turned out to be a Frankenstein monster, the Nazi war machine.

Field lent his Long Island manor to the Office of War Information, a U.S. government agency that operated under the full control of British intelligence's Sir William Stephenson. Field also set up his "own" British propaganda service, again under Stephenson's auspices. He set up two newspapers, the New York-based *PM* and the *Sun-Times* in Chicago. The immediate objective of both, Field announced, was to push for American intervention into the war on behalf of Britain.

Behind these newspapers was the Committee to Defend America by Aiding the Allies and its offshoot, Fight for Freedom, made up of a group of ardent Anglophiles many of whom adovcated political union between the United Kingdom and the United States. Field's fellow members of the Committee included later Secretary of State Dean Acheson; Jimmy Warburg; Allen Dulles who created the Office of Strategic Services as an American government extension of British intelligence; and Whitney Shepardson of the Council on Foreign Relations, the American branch of Britain's Royal Institute of International Affairs.

A glimpse into the cynicism of the British oligarchy and its American footservants is given by the presence behind the scenes of *PM* of William Benton, the Vice President of the University of Chicago. *PM* was a pro-interventionist paper; Benton was a leader of the biggest anti-interventionist group in the U.S.A., *America First.*

Besides Field, who sank $5 million into *PM* before it finally folded in 1948, money for the venture came from Jock Whitney; Huntington Hartford, heir to the A&P fortune; Wall Street banker John Loeb; and William Rosenwald of Sears

Roebuck. Another backer was the strange Russian psychiatrist Gregory Zilboorg who, as will be seen below, had a decisive influence on Field.

The staff of *PM* reveals the violently anti-capitalist bias of the British oligarchy that was manipulating these American nominal capitalists. It was composed primarily of prominent members or sympathizers of the Communist Party, including Lillian Hellman, James Wechsler, Heywood Broun, and Max Lerner. Along with its pro-interventionist line, *PM* pursued the panoply of Fabian-socialist issues, attacking big business and "authoritarianism" while promoting "economic democracy" and "consumer rights."

Another entire story could be told about the role the *Sun-Times, PM*'s sister publication, played in defending that cesspool of British cultural subversion, the University of Chicago, in the name of academic freedom.

In his memoir *The Long Road Home,* James Warburg wrote admiringly of his old friend Marshall Field III that he "lived like an English duke on his estate on Long Island," and "had the British aristocrat's sense of noblesse oblige."

Field's sense of noblesse oblige—which eventually led him to establish the Field Foundation, the National Opinion Research Center, and a host of other operations that have consistently contributed to the destruction of American values and institutions—derived in large part from two men: the Russian-born psychiatrist Gregory Zilboorg and New York attorney Louis Weiss.

Field's Svengalis

Although Weiss was instrumental in guiding Field's day-to-day activities in "philanthropy" and "social justice," it was the Svengali-like Zilboorg who gave him a specific ideology and who is credited with converting him from a playboy into a political activist.

Field met Zilboorg in 1933, courtesy of Jimmy Warburg's sister, Bettina. At the time, Zilboorg was something of a court psychoanalyst to New York's idle rich, especially those who, like the Warburgs, entertained intellectual or cultural pretensions.

But Zilboorg wasn't simply a high-priced witch doctor ministering to the neuroses of his wealthy clientele. Born in Kiev, trained as a doctor and deeply involved in the radical currents swirling through Russia, Zilboorg had served as Labor Minister in the short-lived Kerensky government, fleeing the country after Lenin seized power.

Ideologically, Zilboorg had early on embraced "solidarism," a kind of one-world corporatism which had been developed by German Jesuit circles and formed the basic belief structure of such social-democratic movements as Kerensky's.

In 1920, shortly after he arrived in the U.S., Zilboorg wrote *The Passing of the Old Order in Europe,* a book which not only detailed his blueprint for a solidarist world-order, but more importantly provides a crucial insight into the ultimate objectives of the operations Field later ran under Zilboorg's guiding hand.

In it, Zilboorg proclaims that the cultural and political decay of Europe which culminated in World War I and the Russian Revolution was the result of nationalism and the rise of the modern nation state. To have peace and progress, Zilboorg asserted, it would be necessary to eliminate nations and replace them with a one-world regime in which all local governing functions would be maintained through guild socialist institutions organized on a metropolitan-area basis.

Although this feudalist utopia would supposedly be conflict-free, the only means of achieving it, Zilboorg insisted, would be through bloody social upheaval. "The value of any revolution can be measured by the extent of its destruction," wrote Zilboorg, explaining the "necessity" of World War I in Nietzschean terms: "To evoke a new creative impulse or to create a new impetus was the drastic demand of the situation. The channels of life were blocked. Destruction in one form or another, war or revolution, mattered little, was necessary to open them. Mind and soul felt the innate necessity for release. The war came."

By the time Field had spent five days a week for nearly two years on this man's psycho-analytical couch, Field had completely internalized the Russian's cataclysmic vision, and undergone what acquaintances characterized as a drastic personality change. He dumped his second wife, and shortly thereafter married Ruth Pruyn Phipps, a socially-conscious member of New York's Hudson Valley aristocracy; became interested in "culture"—which, to him, meant the anti-Semitic composer Richard Wagner and post-impressionist painting; gradually withdrew from many of his business interests; and joined the Democratic Party as a radical New Dealer.

Far more significant, he began to search out means of implementing Zilboorg's political perspective. Besides his psychiatrist, who was only too willing to help, Field enlisted the aid of a prominent attorney named Louis Weiss, whom he had met in 1935.

Weiss was a founding partner in the Manhattan law firm of Paul, Weiss, Rifkind, Garrison, and Lloyd. Founding partner Simon Rifkind was a member of the Warren Commission, which protected the assassins of John F. Kennedy; Rifkind later godfathered the Big MAC looting of New York City. Another founding partner, Paul Weiss, helped create the Law Enforcement Assistance Administration, which was intended to become a de facto national gestapo. Second generation partners have kept up the tradition. Elizabeth Holtzman led the Watergating of Richard Nixon as a member of the House Judiciary Committee. Ramsey Clark, an open supporter of international terrorism and Ayatollah Khomeini, as U.S. Attorney General in the mid-1960s helped quash district attorney Jim Garrison's explosive investigation of JFK's murder. Morris Abram, president of the Field Foundation for 20 years, is presently the director of the President's Commission on Bio-ethics, which has advocated withholding medical treatment from the terminally ill and other patients.

Weiss soon became Field's attorney, and his firm became chief counsel to Field's business conglomerate and later, to the Field Foundation.

Working in tandem, Weiss and Zilboorg encouraged Field to use his millions for "socially useful" ends. Field willingly complied. After an initial foray into New York's child welfare system—where he introduced all kinds of quack psychology—Field was ready for more ambitious sorts of ventures.

The Alinsky connection

As a nominal Roman Catholic, Field was quite friendly with Chicago Bishop Sheil, a radical with definite solidarist leanings and close ties to the Congress of Industrial Organizations. In 1939, Sheil introduced Field to one of his protégés, a radical organizer and University of Chicago graduate named Saul Alinsky.

At the time of their meeting, Alinsky had just launched his Back of the Yards organization, a pilot program for the political con game that came to be known in the 1960s as "community control." Through Back of the Yards, Alinsky manipulated Chicago's white-working class communities into channelling their political energies into purely local, neighborhood concerns. Anyone from the "outside"—be it a corporation, landlord, school, or whatever—was the "enemy," preached Alinsky, and to get involved in broader national political issues was to ensure that the enemy would take over the neighborhood.

Not surprisingly, Field was duly impressed with Alinsky's operation, so much so, in fact, that he convinced Alinsky to set up an organization, The Industrial Areas Foundation (IAF), to extend the Back of the Yards concept throughout Chicago and to other parts of the country.

Field supplied most of the startup money and saw to it that the IAF was outfitted with a prominent board: members included G. Howland Shaw from the State Department, Stuyvesant Peabody of the Boston Peabodys; and Adele Levy, daughter of Sears Roebuck's Julius Rosenwald.

Through the IAF, Alinsky churned out a slew of troublemakers like himself, including Jesse Jackson and Cesar Chavez, who were thoroughly trained in Alinskyite methods, methods that differed little from those advocated by Zilboorg in his book.

Although Alinsky and his trainees took their confrontationist tactics to other parts of the country, Chicago bore the brunt. Alinsky helped foment much of the racial tensions that inflamed the city during the 1960s by setting up competing black, Hispanic, and white community-control operations. It was Alinsky's methods that laid the basis for the student rebellions of the late 1960s, which culminated in the riots at the 1968 Democratic convention and helped wreck the traditionalist political machine run by Mayor Richard Daley. And it was Alinsky who organized the network of disaffected clergy and laity—personified by soft-porn scribbler Fr. Andrew Greeley—who worked hand in glove last year with the Chicago *Sun-Times* to force the traditionalist John Cardinal Cody from his post.

The Field Foundation

The real cornerstone of Zilboorg's vision was the Field Foundation, which Field established in 1940. Modeled on the Rosenwald and Twentieth-Century Foundations, Field's venture was oriented toward race relations, child welfare, and "civic betterment"—all innocuous-sounding phrases for fomenting racial antagonisms, street gangs, and a host of other social disturbances.

Among the earliest recipients of grants were two of Field's own pet projects, the New School for Social Research in New York City, whose chairman was Louis Weiss, and Roosevelt College in Chicago. Both specialized in training radicals of various stripes, particularly Roosevelt College, whose founding board included Swedish sociologist and "third way" advocate Gunnar Myrdal; Adlai Stevenson, a close friend of Field; Frances Perkins, FDR's labor secretary; David Dubinsky, the mob-linked head of the garment workers' union; and the ubiquitous Jimmy Warburg. One of Roosevelt College's specialties has been developing so-called "rank and file" union leaders, among them, Ed Sadlowski of the Steelworkers Union.

Another early recipient was the National Opinion Research Center (NORC), a public-opinion profiling outfit Field had established in 1942 on the advice of his friends in British intelligence. As Field himself wrote in 1945, NORC (which hired Alinskyite priest Andrew Greeley in the 1960s to profile Chicago's Catholic community and to help unseat Cardinal Cody) was geared toward building an alternative to the existing American political structure through the systematic manipulation of public opinion.

Recent beneficiaries of the Foundation have included the American Indian Movement, a terrorist recruiting ground; the Association for Union Democracy and the Teamster Rank and File Foundation, both of which are aimed at destroying what's left of the Union movement, especially the Teamsters; the Institute for Policy Studies, one of the most influential "new left" think tanks in the United States; the Center for Defense Information, organizers of the nuclear freeze campaign; Planned Parenthood and Catholics for a Free Choice, leaders in the field of population control; the Institute for Southern Studies, a key organizer of the so-called "New South" movement which produced that grinning idiot, Jimmy Carter; and the Hastings Center, one of the originators of the "right to die" movement (Hastings' director, Willard Gaylin, was until recently a Field Foundation board member).

Field's death in 1956 in no way impeded the work of the Foundation. It remains on the leading edge of the destruction of American institutions; the Chicago *Sun-Times* continues to promote drugs, pornography and, recently, to stir up racist slanders against black parents; the Field family's Museum of Natural History is functioning as one of the foremost forums for the British Royalty's schemes for killing off two-thirds of the world's population, to make the world safe for whales; and NORC remains as a key opinion-molding center.

Second lock proposed at Lock and Dam 26

Congressman Robert Young (D-Mo.) introduced H.R.917 on Jan. 25 to build a second lock at lock and dam #26, a strategically vital confluence of the upper Mississippi and Illinois Rivers. Lack of adequate water transportation facilities at this location has been a bottleneck to timely and efficient movement of goods throughout the agro-industrial heartland of America.

Young said in a statement in the *Congressional Record* that the legislation will "fulfill the finding of need" by the Upper Mississippi River Basin Commission, and pointed out that shipment of farm products increased by 150 percent and shipment of chemicals increased by 158 percent between 1966 and 1978. Average tow barge delay in the main and auxiliary chambers increased 83 percent and 100 percent, respectively between 1977 and 1978. Such inefficiency builds a tremendous cost and corresponding drop in productivity into the economy.

The legislation is expected to be authorized in the House Public Works and Transportation Committee without problem, but the fight will come around getting adequate funds appropriated. "It is my hope that this legislation will be enacted strictly on its merits," Young said, "without being held hostage to waterway user tax/cost recovery proposals which are favored by the administration." Young noted that only some regions of the country had done adequate studies of the impact of such fees, and that the results were overwhelming that severe dislocation would occur in the waterway industry."

"Without a second lock at the new facility," he warned, "maintenance problems could potentially paralyze the upper Midwest because navigation could be cut off at St. Louis."

This is important, noted Young, because "a first-class navigation system is an essential requirement for a military mobilization effort."

House Banking Committee pressured to bail out IMF

The House Banking Committee began its hearings on "International Finance and the Role of U.S. Banks" on Feb. 2, preparatory to a vote on the International Monetary Fund bailout within the next few months, and obviously under tremendous pressure to vote for the bailout. Committee chairman Fernand St. Germain came out of the closet in near total support of the IMF, praising its "important role" for "stability" of the international financial system, and adding that U.S. banks woud have to be placed under greater discipline in their lending practices. Federal Reserve Chairman Paul Volcker, the only witness at today's hearings, promised the committee that they would have a report on the more stringent practices of regulatory agencies which they intend to implement before the committee would "have to vote" on the IMF increase.

Rep. Frank Annunzio (D-Ill.) stepped in to fill the role that St. Germain had taken at the last hearing, that of pressuring the administration and the Federal Reserve to put more resources into domestic economic programs. Yet, even as he noted all the constituency pressure that he was under, he pointed out that the last vote on the IMF won in the Banking Committee by two votes, and asked for arguments to give his constituents on why the vote for the IMF was necessary.

Volcker said he was "not predicting chaos," but rather that the IMF increase was "an insurance policy" and he would feel "more comfortable" if it were approved. Rep. Stewart McKinney, after noting all the companies that have gone out of business in his district, told Volcker that he could "explain the necessity" of the IMF increase to his constituents, but not "without responsibility" of greater discipline on the lending of large banks. Volcker promised that this would be forthcoming.

Resolution reintroduced to ban space-based weapons

Sen. Larry Pressler (R-S.D.) has reintroduced his resolution to ban all military activity in space. Chairman of the Arms Control Subcommittee of the Senate Foreign Relations Committee, Pressler introduced a similar resolution last year and conducted hearings around the issue of military activity in space. At those hearings, Dr. Cooper of the Defense Advanced Research Projects Agency (DARPA) and Pressler engaged in a cordial colloquy over the technical impossibility of actually developing a space-based directed energy-beam defense against nuclear ICBMs at any point in the foreseeable future.

Pressler focuses his resolution on the question of the anti-satellite technologies currently being worked on by both the Soviets and the United States, and urges negotiations toward a treaty banning the development, testing, production, and deployment of anti-satellite (ASAT) weapons. But Pressler makes it quite clear that this ASAT ban is intended "as a first step toward prohibiting all space-based and space-directed weaponry." Pressler's resolution would also ban the deployment of "hazardous materials such as nuclear materials in space."

The resolution, S.R.43, is cosponsored by Senators Percy (R-Ill.), Pell (D-R.I.), Mathias (R-Md.), Proxmire (D-Wisc.), Cranston (D-Cal.), and D'Amato (R-N.Y.). Hearings are planned for late February. Representatives of the National Democratic Policy Committee and Fusion Energy Foundation have been informed that they will not be allowed to testify.

Rohatyn's national "Big MAC" proposed in Senate

As Sen. Bill Bradley (D-N.J.) was proposing one form of Felix Rohatyn's "Global Big MAC" as a preemptive action against an international debtors cartel (see Economics), Sen. Ernest Hollings (D-S.C.) was introducing a domestic form of the same proposal. A bill establishing a Reconstruction Finance Corporation (RFC) (S.265) was introduced Jan. 27 by Hollings and Senators Long (D-La.) and Pryor (D-Ark.), with a speech by Rohatyn himself as documentation. Hollings, a presidential aspirant, asserts that his RFC will "help restructure basic industry and rebuild our cities."

The RFC, as Rohatyn explains it, will bail out faltering industries, banks, and cities with loans and purchases of equity in exchange for providing "management recommendations" to the institutions, as New York's Big MAC, which Rohatyn ran, "advised" New York City to slash its services and infrastructure. Rohatyn cites as an important part of his RFC process the coming together of government, industry, and labor to "make efforts and sacrifices which they would not otherwise make."

"There is no reason why limited and temporary protection for our hard-hit industries cannot be conditioned on restrained wage and price behavior by labor and management; this might become the model for an incomes policy where wage and price behavior could be linked to productivity," according to Rohatyn.

Administration retrenches on science programs

The release Jan. 31 of the FY1984 fiscal budget points to a further retrenchment by the Reagan administration in key research and development programs. No new large-scale goals were set in energy and space, and projects formerly supported by the President, have fallen victim to the technological pessimism of his science advisor.

The overall Department of Energy budget was reduced from $12.8 billion to $11.9 billion. Though the magnetic fusion program received a small increase to take it to the $467 million level, no new projects will be started. At this rate, Dr. George Keyworth's prognostication from the Office of the Science Adviser that fusion will be commercially ready by the year 2050 is very optimistic.

The Clinch River Breeder Reactor, which had been a key part of the administration's nuclear program, has not been put into the "marketplace." The DOE will only fund the project if industry puts in a comparable amount of money.

The budget for NASA received a small 4 percent increase, bringing its budget to $7.1 billion. On advice from Keyworth, however, NASA will not order a fifth Shuttle orbiter vehicle, and even though money will increase for space-station studies, there is no sign that the nation is taking up this challenging goal.

Weinberger faces heat on defense budget

Caspar Weinberger received harsh treatment in his appearance before the Senate Armed Services Committee on the defense budget Feb. 1. He was raked over the coals by liberals and conservatives alike for his proposed year pay freeze for the armed forces. Military pay increases have been heavily emphasized in recent years as a means of attracting and retaining qualified personnel. Conservative Democrat James Exon (Neb.) attacked the pay cut, as did William Cohen (R-Me.), who announced that he would lead the fight to restore the pay raises and find somewhere else to make the cuts. Even Senators Thurmond (R-S.C.), Tower (R-Tex.), and Jepsen (R-Iowa) proposed that the pay cut be restored by half.

Weinberger's sharp comment that defense spending helps the economy prompted one observer to comment that "If this is how he's going to treat his friends, then he's in real trouble." Liberal Democratic Senator Carl Levin (Mich.) told Weinberger that his figures in different areas, such as comparisons of NATO and Warsaw Pact spending, were wrong. Levin promised to put his own figures into the *Congressional Record.*

Barry Goldwater (R-Ariz.), a defender of Weinberger, made probably the most accurate comment. "I had to say to him [Weinberger] sitting there that I was reminded of the 1930s," Goldwater said on the floor of the Senate later that day. "In the 1930s, we were in the middle of a big depression, such as we are in right now, but we were not spending money in adequate amounts to allow us to do our constitutional duty of defending our people in a proper way."

National News

Defense newsletter covers beam-weapons campaign

The *Defense Daily* newsletter gave front-page coverage Jan. 27 to the campaign for the development of anti-missile beam weapons by the United States now being led by *EIR* founder Lyndon H. LaRouche, the Fusion Energy Foundation, and, separately, nuclear physicist Dr. Edward Teller.

The newsletter circulates widely in Washington and among defense industries. The article features LaRouche's emphasis on the economic impact of beam-weapon development, and also covers his charges against the Heritage Foundation for attempting to sabotage such a program in the United States (see article, page 52).

Titled "Space-Based Laser Backed by Teller," the article is an inside look at the proposals put forward by Dr. Teller in a Washington, D.C. press conference in December.

It discusses Dr. Steven Bardwell's presentation of the necessity of beam-weapons development in a number of public forums. Bardwell is editor-in-chief of *Fusion* magazine and military editor of the *EIR*.

These publications, the article continues, are associated with "1980 Democratic presidential candidate Lyndon LaRouche. . . . LaRouche . . . is an advocate . . . of developing beam weapons systems because of their enormous benefits to the civilian economy, through technological spinoffs. . . ."

Washington Khomeiniacs skip court appearances

Bahram Nahidian, a Washington, D.C. controller of Iranian and Arab terrorism, failed to answer a subpoena to appear in Federal court in Washington Jan. 31, for questioning by attorneys for *EIR*'s news service and related organizations, regarding his connections to Iranian banker and alleged terrorist funder Cyrus Hashemi.

Nahidian is reputed to be the man behind the July 1980 assassination of anti-Khomeini spokesman Ali Tabatabai in a Washington suburb. Nahidian enjoyed the protection of the Carter administration, and was never indicted in the murder case.

Meanwhile, the plaintiff in the case, Cyrus Hashemi, is facing a motion to dismiss his entire case due to his own tardiness in answering written interrogatories and then failing to appear for his deposition which was scheduled for Jan. 25. Government agencies intend to drop the suit, before his ties to the State Department and other agencies becomes public knowledge.

Soviet space program nine times U.S.'s

The Congressional Research Service released a report in late January which documented an increasing superiority of the Soviet Union over the United States in space activities.

According to the report, "Although the U.S. launch pace declined still further from 1976, the Soviet record shows no similar drop, peaking at 99 in 1976 and now running at about seven times the current U.S. level. . . . The Soviet Union has cumulatively launched about 90 percent more tonnage than the U.S., and is currently running at ninefold the U.S. level. . . . This implies a space budget of $7 to $14 billion in 1974, and $14 to $28 billion in 1980—a level of expenditure that is considerably larger than the present U.S. program and probably approximates (for 1974 in real terms) the U.S. space program at its peak in the 1960s."

The report says that there is evidence that the Soviets have been flight-testing electric "ion-drive" rockets for interplanetary flight, and that they are actively doing breadboard experiments with solid-core nuclear rocket engines. The report also includes information about Soviet plans for a space shuttle. "The Soviet prototype was said to resemble an airplane, with delta wings and a cigarlike fuselage. The overall length would be around 200 feet, and its diameter with fuel containers around 26 feet. The design called for a specially designed launcher powered by rocket engines."

The report also notes that "Soviet space technology has already included two military developments the United States has not undertaken, the Fractional Orbital Bombardment System (FOBS) and the Inspector/Destructor Satellite series. Whether there will be more threatening moves beyond mere military support flights remain to be seen. A spaceborne missile defense system is one potential application which is tied to future developments both in reusable space shuttle craft and in laser weapons. Late in 1975, disclosures came that there was evidence that ground based lasers were probing U.S. military satellites in high orbit."

Media abets violence in truckers' strike

"The only thing Parkhurst has going for him is the threat of violence," a Teamsters official told a reporter the first day of the strike called by the Independent Truckers' Association (ITA) head Michael Parkhurst. A veteran of the 1974 and 1979 "independent truckers" strikes commented, "This time they have no organization and no leadership."

The threat of violence, however, has almost entirely been created by highly exaggerated reporting in the national media. Law-enforcement and other sources contacted by *EIR* have stated that incidents have either been unrelated to the strike, or simply untrue.

Shootings of truckers in Utah and North Carolina were not related to the strike, according to law enforcement officials in both states. A "gunshot" reported in Pennsylvania was a tire blowout; a cinderblock supposedly thrown through a window was actually lying in the highway.

Although this media effort has created an atmosphere where truckers are avoiding truckstops and driving at night, the greatest effect of the strike has been to create even more difficult economic conditions for truckers.

Most so-called independents actually lease their trucks for large corporations such as Pepsico, and work in the least profitable areas of industry trucking. They pay the greatest overhead to haul loads the industry will not pay union rates to haul.

Times exposes Margaret Mead as fraud

The *New York Times* confessed on its front page Jan. 31 that Museum of Natural History cultural relativist anthropologist Margaret Mead was a fraud who concocted her data.

The *Times* exposes Mead by printing on its front page a review of a not-yet published book by Australian eugenicist Derek Freeman, *Margaret Mead and Samoa: the Making and Unmaking of an Anthropological Myth,* reporting his findings at length.

"Margaret Mead described the Samoan people as gentle, peaceful, free of religious conflicts and devoid of jealousy. They condoned adolescent free love, she said, and, as a result, adolescence in Samoa was without turmoil or stress that accompanies adolescence in the United States and elsewhere. . . . By contrast Prof. Freeman asserts that: The Samoan people are intensely competitive; they have a high rate of homicide and assault, and the incidence of rape in Samoa is among the highest in the world; Samoan children, adolescents and adults live within an authority system that regularly results in psychological disturbances from compulsive behaviors to hysterical illnesses and suicide; they are extremely prone to fits of jealousy; and not only are Samoans not given to casual lovemaking, but also the 'cult of female virginity is probably carried to a greater extreme than in any other culture known to anthropology.' "

In retrospect, Mead's results were obviously concocted to provide a model for the creation of the promiscuous, infantile counterculture, a project that Mead was later to be intimately involved in, including MK-Ultra and SIECUS, campaigns to legalize marijuana and pornography, and the promotion of her friend Dr. Benjamin Spock. The *Times* itself was a leading promoter of Mead and all her causes.

Now, in discrediting Mead, and building a worldwide reputation overnight for the obscure eugenicist Freeman, the *Times* is promoting the other pack of frauds—the eugenicists, whom the *Times* actively promoted prior to World War II. Mead's employment by the arch-eugenicist American Museum of Natural History and her marriage to Gregory Bateson, the son of Britain's leading eugenicist William Bateson, demonstrates that the two sides, liberal cultural relativists and fascist eugenicists, are fundamentally the same.

Times and Newsweek termed brain-damaging

The research department of the multibillion dollar Exxon Corporation has fired the individual responsible for reading and summarizing the *New York Times* for corporate executives. Exxon has also canceled its subscription to the *Times.*

"This is one cost-cutting measure we heartily approve of," commented *EIR* Editor Nora Hamerman. "It has been demonstrated that continual exposure to the *New York Times* seriously interferes with corporate performance, by producing functional brain damage in its readers."

In a related development, editorial directors of *Newsweek* magazine were exposed as maintaining a soft spot in their hearts for Adolf Hitler and the Libyan dictator Muammar Qaddafi.

Qaddafi gave an interview last month to several French papers and to *Newsweek* in which he praised Adolf Hitler's political savvy in stopping a "Zionist plot to subvert Germany." Qaddafi expressed his hope that the same fate would await "the Zionists" in the United States.

Qaddafi's comments were covered widely in France and Israel, and were reported by this news service. But *Newsweek,* in covering the same interview, deleted the Qaddafi's explosive comments on Hitler.

Could it be that the editors of *Newsweek* are trying to softpedal Nazism because they support the "New Hitler Project" being put into operation by some of Europe's leading oligarchic families to install a new Führer.

Briefly

● **DONALD REGAN** admitted in an interview on nationwide TV Jan. 30 that all his recent economic forecasts had been wrong, but excused himself by saying, "But everyone was wrong. All forecasters, private, government, and business were taken by surprise by the 1981 recession." Regan omitted to mention the forecast of the *EIR,* which unlike all the others consulted by his Treasury Department, has been quite consistently right on a quarter-by-quarter basis since 1979.

● **LARRY FREEMAN,** who ran as a National Democratic Policy Committee candidate for Congress against Parren Mitchell in 1982, announced his candidacy for Mayor of Baltimore Feb. 1. With him is running a citywide NDPC slate, including his wife Debra Freeman, for City Council President; John Ascher for Comptroller; Edwin Cluster, the former president of the UAW in Martin Marietta, for City Council in the 5th district; and five other City Council candidates.

● **BARBARA MIKULSKI,** Congresswoman from Baltimore who has staunchly defended the genocidal Project 2000 report, denounced existing U.S. foreign aid programs as being "sexist" in an address to the Ecumenical Institute Feb. 1. Mikulski also denounced those in the Third World seeking national self-determination or debt relief. "There are many dangerous ideas afloat including a move to a new nationalism which threatens new border disputes as new scapegoats are looked for, as well as proposals for a new debtors' cartel that would be quite serious."

● **BERNARD ROGERS,** Commander of NATO, is arguing that a NATO defense of Western Europe against the Warsaw Pact would be possible without the use of nuclear weapons, provided that French forces were re-integrated into NATO, sources report.

Editorial

Will Americans buy murder?

In the ongoing debate in Washington over the so-called "IMF bailout package," the true issue has been deliberately misdefined. This was underscored recently when a Senator, opposed "on principle" to the bailout, reacted in genuine horror after Club of Life representatives told him that the purpose of getting the U.S. government to back the Anglo-Swiss banking cabal is *not* to gouge more cash out of the American public in order to feed starving Third World countries—the argument advanced hypocritically by the IMF's boosters—but exactly the opposite.

Developing countries will be offered the aroma of loans the IMF cannot possibly furnish, even with the bailout, in return for forking over all control over their raw materials to the oligarchy that runs the International Monetary Fund. The prices of those resources will again skyrocket—but not one penny will go to the populations attempting to survive on the land from which they are extracted. As a consequence, what is already being unleashed is a cycle of genocide far more hideous in its scale than anything Adolf Hitler contemplated.

The U.S. Senator replied: "But they will never be able to sell that. Americans won't buy murder!"

We think the Senator is right about the basic moral instincts of Americans, and in general the citizenry of those industrialized countries variously defined as "West" or "North" in the strategic geometry. The problem is that the dominant institutions are rotten at the top: they have lost all commitment to the fundamental principles of the sacredness of human life and the technological optimism to sustain it.

This is a problem which the grassroots political movement being built by Lyndon LaRouche around the National Democratic Policy Committee in the U.S.A. is directly addressing, through hundreds of campaigns for political office ranging from school board to Senator. In West Germany, Club of Life initiator Helga Zepp-LaRouche is leading the European Labor Party's campaign for the federal elections on March 6.

These campaigns go to make up an international movement to re-launch what Lyndon LaRouche has called, in a recent policy paper for the Non-Aligned summit, the anti-colonial policy envisioned at the close of World War II by President Franklin Roosevelt—a worldwide development program based on "American System" technological progress, and a dramatic shift away from the British System which is rapidly closing its genocidal fist over the globe. That movement will make a major show of strength at the Club of Life conferences Feb. 18-19 in Washington, Paris, and some 40 other major cities.

We face what Roosevelt and his allies fought, at the cost of millions of lives, 40 years ago: fascism. What else can one call the vicious campaign of Lane Kirkland's AFL-CIO labor organization in the U.S. against illegal aliens and "competitive" Japanese industrial workers? Or the emergence in West German popular magazines of a discussion on the "ethnic need" of the German people to rid the Federal Republic of Turkish guestworkers? Or in France, the dry runs of a confrontation between "ethnic Franks" and the large population of Arab Muslim workers?

In Nigeria, we are looking straight into the genocidal hell provoked by such fascist policies, as a desperate and much-manipulated government has taken steps to expel some 2 million foreign workers, many of them to return to their deaths in surrounding African countries. Here, the Anglo-Swiss oligarchy is wielding the weapon of the oil-price drop, a collapse it provoked deliberately. The IMF's backers count on driving the Arab OPEC nations into opposition to the formation of a "debtors' cartel" at the March Non-Aligned summit in New Delhi—the very debtors' cartel which LaRouche has identified as an essential part of implementing Roosevelt's anti-colonialist policy.

The NDPC is petitioning Congress to *reject* the IMF quota increase and other bank bailout schemes, and to put the "debtors' cartel" and other proposals for financial reorganization by LaRouche on its immediate agenda. At issue is no "bailout," but human civilization itself. If the right reason is put forward, there is a chance that the right policy can be imposed.